As filed with the Securities and Exchange Commission on May 3, 2004

Registration No.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

W&T Offshore, Inc.

(Exact name of registrant as specified in its charter)

Texas	**1311**	**72-1121985**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

Eight Greenway Plaza, Suite 1330
Houston, Texas 77046
(713) 626-8525
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Proposed Maximum Aggregate Offering Price (1)**	**Amount of Registration Fee**
Common Stock, par value $.00001 per share	$ 201,250,000	$ 25,499

(1) Estimated solely for purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated May , 2004

PROSPECTUS

Shares

Common Stock

This is an initial public offering by W&T Offshore, Inc. We are offering shares of our common stock. No public market currently exists for our common stock.

We will make application to list shares of our common stock on the New York Stock Exchange under the symbol "WTI." We expect the public offering price to be between $ and $ per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 11.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to W&T Offshore, Inc. (before expenses)	$	$

We have granted the underwriters a 30-day option to purchase up to shares of common stock to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about , 2004.

Joint Book-Running Managers

LEHMAN BROTHERS **JEFFERIES & COMPANY, INC.**

JPMORGAN

RAYMOND JAMES

RBC CAPITAL MARKETS

, 2004

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell shares of our common stock and seeking offers to buy shares of our common stock only in jurisdictions where offers and sales are permitted.

Until , 2004 (25 days after the commencement of this offering), all dealers that effect transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read this entire prospectus carefully, including "Risk Factors" and our consolidated financial statements and the notes to those financial statements included elsewhere in this prospectus. We have provided definitions for the oil and natural gas terms used in this prospectus in the "Glossary of Oil and Natural Gas Terms" included as Appendix A to this prospectus. Unless otherwise indicated, the information contained in this prospectus assumes that the underwriters do not exercise their over-allotment option. Unless the context requires otherwise, references in this prospectus to "W&T," "we," "us" and "our" refer to W&T Offshore, Inc. and our consolidated subsidiaries.

About W&T Offshore, Inc.

We are an independent oil and natural gas acquisition, exploitation and exploration company. Our goal is to generate a high return on equity through profitably increasing production and reserves. We are focused primarily in the Gulf of Mexico area, where we have developed significant technical expertise and where the high production rates associated with hydrocarbon deposits have historically provided us the best opportunity to achieve a rapid payback on our invested capital. We believe this focus and our historic success provide a solid foundation for higher impact capital projects in the Gulf of Mexico, including the deepwater (water depths in excess of 500 feet) and the deep shelf (well depths in excess of 15,000 feet).

Based on a reserve report prepared by Netherland, Sewell & Associates, Inc., our independent petroleum consultants, our proved reserves at December 31, 2003 were 444.7 Bcfe, with a pre-tax PV-10 of $1.2 billion (excluding plug and abandonment cost). Of those, 66% were proved developed reserves and 52% were natural gas reserves.

Since our inception in 1983 with an initial equity capitalization of $12,000, we have significantly grown our reserves, production and cash flow through a combination of acquisition, exploitation and exploration activities. Shareholders' equity increased $158.7 million, or 384%, solely from net income (after distributions) during the five-year period ended December 31, 2003. As of March 31, 2004, we had $19.3 million in outstanding debt.

We have increased shareholder value through:

- *Growth in net income and EBITDA*—In the five years ended December 31, 2003, our annual net income increased from $14.0 million to $116.6 million, with aggregate net income over this period of $244.4 million. During the same period, our net income plus income tax, net interest, depreciation, depletion, amortization and accretion, or EBITDA, increased from $42.8 million to $323.7 million, with aggregate EBITDA over this period of $728.8 million.
- *Significant production growth*—Our net average daily production more than tripled from approximately 58 MMcfe per day in 1999 to approximately 216 MMcfe per day in 2003, representing a compounded annual growth rate of approximately 39%. Our net production during March 2004 averaged approximately 235 MMcfe per day.
- *Significant reserve growth*—In the five years ended December 31, 2003, our proved reserves increased from 77.9 Bcfe to 444.7 Bcfe, representing a compounded annual growth rate of approximately 40%.
- *Low finding and development cost*—Our average finding and development cost, which includes acquisitions, exploitation and exploration cost, for the three years ended December 31, 2003 was $1.05 per Mcfe.

Acquisitions, Exploitation and Exploration

Acquisitions and Exploitation. We have a history of acquiring proved reserves at attractive prices. During the five-year period ended December 31, 2003, we completed five significant acquisitions for a total purchase price of approximately $176.3 million, which added an aggregate of approximately 343.2 Bcfe to our net proved reserves. We have focused on acquiring properties where we can develop an inventory of drilling prospects that enable us to continue to add reserves post-acquisition.

Subsequent to the completion of these five acquisitions, we deployed resources to realize the value of the proved developed reserves, to exploit the proved undeveloped reserves and to explore for upside potential by drilling for unproven reserves. From the time of acquisition of these properties through December 31, 2003, we invested an additional $223.0 million in exploitation, exploration and the exercise of preferential rights of purchase. Through these activities, we added an incremental 187.0 Bcfe of proved reserves, including reserve revisions, while producing 156.8 Bcfe from these properties.

As of December 31, 2003, the remaining proved reserves for these acquired properties totaled 373.4 Bcfe, with a PV-10 of $1,068 million. A portion of the increase in value subsequent to these acquisitions has come through additional drilling. As a result, through December 31, 2003, we have achieved a compounded annual return of greater than 80% on the capital we have deployed on the acquired properties including the effect of changes in commodity prices, with significant reserves remaining to be produced.

Exploration. We have the right to explore for and develop oil and natural gas reserves on approximately 960,000 gross acres in the Gulf of Mexico. We believe that our large acreage position and significant discretionary cash flow provide a strong base to conduct our exploration activities. During the three-year period ended December 31, 2003, we drilled 38 exploratory wells, of which 34 were successful (which we define as completed or planned for completion). During this period, we spent $157.4 million on exploration activities and added 110.1 Bcfe of proved reserves through our exploration activities.

During 2004, our planned capital expenditures are approximately $200 million including: $108 million for the drilling of 25 exploration wells and seven development wells; $50 million for completion and facility cost and for currently unidentified drilling opportunities; and $42 million for other projects. Through March 31, 2004, we have spent approximately $32 million (net to our interest) to drill eight exploration wells, four of which were successful, and one successful development well. Of these four successful exploration wells (three of which we operate), three are in deepwater. We expect to spend $57 million (net to our interest) to drill the remaining 17 exploration wells, approximately one-third of which will be in the deepwater or the deep shelf.

We currently have 50 identified exploration prospects in addition to the 25 discussed above, all of which are supported by 3-D seismic data and are in various stages of evaluation. The majority of these are single well prospects, with seven located in the deepwater, five targeted for the deep shelf, 31 located on other parts of the outer continental shelf (“OCS”) and seven located onshore. Depending upon the outcome of the exploration wells drilled in 2004 and further geologic, engineering and economic evaluations, the 50 additional wells are expected to be drilled in 2005 and beyond.

We have become more active in bidding for Gulf of Mexico leases on the OCS at lease sales conducted by the U.S. government through the Minerals Management Service (“MMS”). At the March 2004 OCS lease sale, we were the high bidder on eight of nine bids submitted for OCS blocks located in the central Gulf of Mexico. These OCS blocks were bid at 100% working interest. The bids are subject to a review process by the MMS before any leases are awarded. As of March 31, 2004, the MMS had awarded to us two of these leases, including one in the deepwater. Two of the six additional leases are in the deepwater. Assuming the remaining leases are awarded to us, we will be the operator on approximately 30,000 additional acres.

Business Strategy

Our goal is to generate a high return on equity through profitably increasing production and reserves. We will seek to achieve this goal by acquiring and exploiting reserves at an attractive cost, by producing our reserves at the highest and most economic rates and by exploring for reserves on our extensive acreage holdings. We expect to continue to focus on acquiring properties that provide for a rapid return of our initial investment. We believe there are significant opportunities for us to expand our exploration activities, particularly in the deepwater and the deep shelf.

Continued acquisition and exploitation focus in the Gulf of Mexico. We plan to continue to acquire and exploit reserves on the OCS of the Gulf of Mexico, the area of our historical success, or in other areas outside of the Gulf of Mexico that are compatible with our technical expertise and could yield rates of return comparable to those we have historically achieved. We believe attractive acquisition opportunities will continue to arise in the Gulf of Mexico as the major integrated oil companies and other large independent oil and gas exploration and production companies continue to divest properties to focus on larger and more capital-intensive projects that better match their long-term strategic goals.

Deepwater acquisitions and drilling. During recent years, we have gradually extended our acquisition and drilling activities into the deeper waters of the Gulf of Mexico. We believe this is a natural extension of our historical activity and experience in the shallow water of the Gulf of Mexico. In 2000, we acquired our first deepwater interest. As of March 31, 2004, we have drilled seven wells in the deepwater, five of which have been successful. Our deepwater projects have been in water depths up to 4,200 feet and located in areas where we can drill from existing infrastructure or where we are able to connect our subsea wells to existing infrastructure. We believe our opportunities for deepwater exploration have been enhanced by technological advances in recent years that enable the connection of subsea wells to existing infrastructure over longer distances, eliminating the requirement for new, dedicated production facilities, the installation of which require long lead times and large capital investments. We also believe asset divestitures and resource constraints of major integrated oil companies and other large upstream companies may allow us to acquire attractive deepwater prospects at favorable prices with a significant portion of the up-front development expenses, such as infrastructure and seismic, already invested.

Deep shelf exploration. We believe a significant portion of our acreage has exploration potential below currently producing zones, including deep shelf reserves. We consider deep shelf targets to be hydrocarbon-bearing horizons located in shallow water areas of the Gulf of Mexico at subsurface depths greater than 15,000 feet. The MMS estimates there could be up to 55 trillion cubic feet of natural gas recoverable from the deep shelf in the U.S. Gulf of Mexico. Although the cost to drill deep shelf wells can be significantly higher than shallower wells, the reserve targets are typically larger and the use of existing infrastructure and recent royalty suspension incentives from the MMS should partially offset higher drilling cost.

Risks Related to Our Strategy

Prospective investors should carefully consider the matters set forth under the caption *"Risk Factors"* beginning on page 11, as well as the other information set forth in this prospectus, including risks related to our reserve replacement challenges, risks related to oil and natural gas prices and operating risks inherent in the oil and natural gas business. One or more of these matters could negatively impact our ability to implement our business strategy successfully.

Competitive Strengths

We believe we are well positioned to execute our business strategy because of the following competitive strengths:

Substantial acreage position. Approximately 84% of our 960,000 gross acres in the Gulf of Mexico is "held-by-production." Our held-by-production acreage has significant existing infrastructure, which reduces development lead times and cost. This infrastructure frequently allows for relatively quick tie back of production from deep shelf discoveries. Acreage held-by-production is attractive because it permits us to maintain all of our exploration, exploitation and development rights (including deep rights below currently producing zones) in the leased area as long as production continues.

We have the right to propose future exploration and development projects, including deep shelf exploration projects, on approximately 80% of our acreage. During the three-year period ended December 31, 2003, we drilled 55 exploitation and exploration wells on our held-by-production acreage, of which 49 were successful. Our contracts with seismic providers give us access to data on a total of approximately 40.0 million acres including substantially all the acreage we hold. We have access to the data at a reduced cost but do not incur any expense until the data is requested. Our acreage position will continue to be the primary source of our near to medium term exploitation and exploration activities.

Proven acquisition strategy. Our method of identifying and evaluating acquisitions has translated into a high rate of return on acquisitions. Our acquisition strategy involves:

- targeting under-exploited assets;
- identifying additional sources of value through the application of technical resources; and
- acquiring proven reserves at an attractive rate of return along with significant upside potential from exploration opportunities.

Strong operational capabilities. We have operated offshore and onshore properties for 20 years, and we have gained valuable experience in all aspects of drilling and production in the shallow and deep water of the Gulf of Mexico. We own working interests in approximately 110 offshore fields in the Gulf of Mexico, and we operate the wells accounting for approximately 52% of our daily production and 43% of our total PV-10 value. On two separate occasions, we received recognition for our exceptional operations record from the MMS, the regulatory agency that has primary jurisdiction over our operations. As a result of our operating capabilities and financial strength, the MMS also has historically exempted us from supplemental bonding requirements in the Gulf of Mexico.

Committed, experienced management. We have assembled a senior management team with considerable technical expertise and industry experience. Our founders, Tracy W. Krohn, Chairman, Chief Executive Officer, President and Treasurer, and Jerome F. Freel, Chairman Emeritus and Corporate Secretary, each have more than twenty years of experience as executive managers of oil and gas companies. Mr. Krohn and Mr. Freel will collectively own more than % of our outstanding capital stock immediately after this offering. This stock ownership represents the majority of their respective financial net worth.

The other members of our management team average more than 20 years of experience in the industry, including an average of approximately 6.5 years with W&T. Most members of the team have previously worked for a major oil company or a large independent producer. These managers will collectively own approximately % of our outstanding common stock immediately after this offering. The board of directors has adopted a long-term incentive compensation plan to provide for additional incentives for continued performance and service to the Company.

Conservative financial approach. We believe our conservative financial approach has contributed to our success and has positioned us to capitalize on new opportunities as they develop. We have typically relied solely on net cash provided by operating activities and traditional commercial bank credit facilities to fund our growth. We have historically limited annual capital spending for exploration, exploitation and development activities to net cash provided by operating activities and typically used our bank credit facility for acquisitions and to balance working capital fluctuations.

In the future, as we further expand our operations into the higher impact deepwater and deep shelf areas of the Gulf of Mexico, our capital spending may exceed net cash provided by operating activities, in which event we may use a portion of the proceeds of this offering to fund such future expenditures.

Corporate Information

We are a Texas corporation. Our principal executive offices are located at Eight Greenway Plaza, Suite 1330, Houston, Texas 77046. Our telephone number is (713) 626-8525. We intend to maintain a web site at *www.wtoffshore.com*, which will contain information about us. Our web site and the information contained on it and connected to it will not be deemed incorporated by reference into this prospectus.

The Offering

Common stock offered by W&T Offshore, Inc.	shares
Common stock outstanding after the offering	shares
Use of proceeds	We intend to use the net proceeds from this offering to fund a portion of our acquisition, exploitation and exploration activities and for general corporate purposes.
Proposed New York Stock Exchange symbol	"WTI"

Summary Historical and Pro Forma Financial Information

The summary historical financial information set forth below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and with our financial statements and the notes to those financial statements included elsewhere in this prospectus. The consolidated income statement information for the years ended December 31, 2001, 2002 and 2003 and the balance sheet information as of December 31, 2001, 2002 and 2003 were derived from our audited financial statements. The summary unaudited *pro forma* data set forth below were derived from the unaudited*pro forma* financial statements included elsewhere in this prospectus and should be read in conjunction with those statements. Unaudited *pro forma* information is based on assumptions and includes adjustments as explained in the notes to the unaudited *pro forma* financial information included in this prospectus. The unaudited*pro forma* financial information is not necessarily indicative of the results that actually would have been achieved during 2003 or that may be achieved in the future.

	Year Ended December 31,			
	2001	2002	2003	*Pro forma* 2003(1)
	(dollars in thousands)			(Unaudited)
Consolidated Statement of Income Information:				
Revenues:				
Oil and natural gas sales	$ 169,054	$ 189,892	$ 421,435	$ 502,140
Other	534	1,443	1,152	1,152
Total revenues	169,588	191,335	422,587	503,292
Expenses:				
Lease operating	22,099	26,454	65,947	77,531
Gathering, transportation cost and production taxes	5,048	3,672	10,213	10,331
Depreciation, depletion and amortization	65,293	89,941	136,249	146,299
Asset retirement obligation accretion (2)	—	—	7,443	9,075
General and administrative (3)	9,677	10,060	22,912	22,912
Total operating expenses	102,117	130,127	242,764	266,148
Impairment of subsidiary assets (4)	—	3,750	—	—
Income from operations	67,471	57,458	179,823	237,144
Net interest income (expense)	(3,902)	(3,001)	(2,229)	(2,857)
Income before income taxes	63,569	54,457	177,594	234,287
Income tax expense (5)	—	52,408	61,156	80,999
Cumulative effect of change in accounting principle, net of tax (2)	—	—	144	144
Net income	$ 63,569	$ 2,049	$ 116,582	$ 153,432
Preferred stock dividends	—	—	5,876	5,876
Net income applicable to common shareholders	$ 63,569	$ 2,049	$ 110,706	$ 147,556
Consolidated Cash Flow Information:				
Net cash provided by operating activities	$ 123,884	$ 147,809	$ 263,155	
Capital expenditures	126,399	116,759	203,400	
Consolidated Balance Sheet Information (at end of period):				
Total assets	$ 282,483	$ 341,194	$ 546,729	
Long-term debt	82,400	99,600	67,000	
Shareholders' equity	164,182	133,330	214,455	
Other Financial Information (unaudited):				
EBITDA (6)	$ 132,764	$ 147,399	$ 323,659	$ 392,662

(1) Gives effect to a transaction with ConocoPhillips completed in December 2003, as if consummated on January 1, 2003. See the unaudited *pro forma* financial statements for more information regarding this transaction.

(2) Effective January 1, 2003, we adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations." The cumulative effect of the change in accounting principle is $220,900, ($143,585 net of tax). See Note 2 to our consolidated financial statements.

(3) The 2003 amount includes $9.3 million of compensation expense resulting from an incentive compensation grant to our key employees primarily in respect of many years of prior service (other than the Chief Executive Officer and the Corporate Secretary), of which approximately $5.5 million was restricted common stock and approximately $3.8 million was cash.

(4) This impairment is related to the sale of a subsidiary to two of our shareholders. See Notes 4 and 15 to our consolidated financial statements.

(5) On December 3, 2002, we revoked our election under Subchapter S of the Internal Revenue Code and began paying income tax at the corporate level. Current and deferred tax liabilities recorded in 2002 reflected the cumulative effect of certain tax liabilities, as more fully described in Note 9 to our consolidated financial statements.

(6) We define EBITDA as net income plus income tax expense, net interest expense, depreciation, depletion, amortization and accretion. See Note 6 to the first table in "*Selected Historical and Pro Forma Financial Information*" for a reconciliation of EBITDA to net income. Although not prescribed under GAAP, we believe the presentation of EBITDA is relevant and useful because it helps our investors understand our operating performance and makes it easier to compare our results with those of other companies that have different financing, capital or tax structures. EBITDA should not be considered in isolation from or as a substitute for net income, as an indication of operating performance or cash flows from operating activities or as a measure of liquidity. EBITDA, as we calculate it, may not be comparable to EBITDA measures reported by other companies. In addition, EBITDA does not represent funds available for discretionary use.

Summary Historical Reserve and Operating Data

The following table presents summary information regarding our estimated net proved oil and natural gas reserves as of December 31, 2001, 2002 and 2003, and our historical operating data for the years ended December 31, 2001, 2002 and 2003. All calculations of estimated net proved reserves have been made in accordance with the rules and regulations of the Securities and Exchange Commission, or the SEC, and, except as otherwise indicated, give no effect to federal or state income taxes or estimated plug and abandonment cost. The December 31, 2003 estimates of net proved reserves are based on a reserve report prepared by Netherland, Sewell & Associates, Inc., our independent petroleum consultants. Appendix B to this prospectus contains a letter prepared by Netherland, Sewell & Associates, Inc. summarizing the reserve report. For additional information regarding our reserves, please read the section of this prospectus entitled "*Business and Properties"* beginning on page 41 and note 18 to our consolidated financial statements.

	As of December 31,		
	2001	2002	2003
Reserve Data:			
Estimated net proved reserves:			
Natural gas (Bcf)	154.7	219.0	231.1
Oil (MMBbls)	15.2	23.1	35.6
Total (Bcfe) (1)	245.7	357.5	444.7
Proved developed (Bcfe)	173.0	229.2	295.6
Proved undeveloped (Bcfe)	72.7	128.3	149.1
Proved developed reserves as a percentage of proved reserves	70.4%	64.1%	66.5%
PV-10 (in millions) (2)	$ 333.7	$ 906.8	$ 1,243.5
Standardized measure of discounted future net cash flow (in millions) (3)	$ 217.8	$ 549.7	$ 760.9
Total net reserve additions (Bcfe)	82.2	167.5	166.2

	Year Ended December 31,		
	2001	2002	2003
Operating Data:			
Net sales:			
Natural gas (MMcf)	28,412	39,368	52,807
Oil (MBbls)	2,314	2,465	4,373
Total (MMcfe) (1)	42,296	54,158	79,045
Average daily equivalent production (MMcfe/d)	115.9	148.5	216.6
Average realized sales price:			
Natural gas ($ per Mcf)	$ 4.11	$ 3.34	$ 5.60
Oil ($ per Bbl)	22.66	23.57	28.74
Average per Mcfe data ($ per Mcfe):			
Lease operating	$ 0.52	$ 0.49	$ 0.83
Gathering, transportation cost and production taxes	0.12	0.07	0.13
Depreciation, depletion, amortization and accretion	1.54	1.66	1.82
General and administrative (4)	0.23	0.19	0.29
Net cash provided by operating activities	2.93	2.73	3.33
EBITDA (5)	3.14	2.72	4.09

(1) One billion cubic feet equivalent (Bcfe), one million cubic feet equivalent (MMcfe), and one thousand cubic feet equivalent (Mcfe) are determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids (totals may not add due to rounding).

(2) The present value of estimated future net revenues attributable to our reserves was prepared using constant prices, as of the calculation date, discounted at 10% per year on a pre-tax basis before plug and abandonment expenses. Oil prices are based on December 31, 2003 West Texas Intermediate posted price, adjusted by lease for quality, transportation fees, and regional price differentials. Gas prices are based on December 31, 2003 Henry Hub spot market price, adjusted for energy content, transportation fees and regional price differentials. Prices are held constant in accordance with SEC guidelines.

(3) The standardized measure of discounted future net cash flows represents the present value of future cash flows after income tax and plug and abandonment expenses, discounted at 10%.

(4) The 2003 amount includes $9.3 million ($0.12 per Mcfe) of compensation expense resulting from an incentive compensation grant to our key employees (other than the Chief Executive Officer and the Corporate Secretary), of which approximately $5.5 million was restricted common stock and approximately $3.8 million was cash.

(5) We define EBITDA as net income plus income tax expense, net interest expense, depreciation, depletion, amortization and accretion. See footnote 6 to the first table in "*Selected Historical and Pro Forma Financial Information"* for a reconciliation of EBITDA to net income. Although not prescribed under GAAP, we believe the presentation of EBITDA is relevant and useful because it helps our investors understand our operating performance and makes it easier to compare our results with those of other companies that have different financing, capital or tax structures. EBITDA should not be considered in isolation from or as a substitute for net income, as an indication of operating performance or cash flows from operating activities or as a measure of liquidity. EBITDA, as we calculate it, may not be comparable to EBITDA measures reported by other companies. In addition, EBITDA does not represent funds available for discretionary use.

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus before deciding to invest in our securities. If any of the following risks were actually to occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you might lose all or part of your investment.

Risks Relating to the Oil and Natural Gas Industry and Our Business

A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition, cash flow, liquidity or results of operations and our ability to meet our capital expenditure obligations and financial commitments and to implement our business strategy.

The price we receive for our oil and natural gas production heavily influences our revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities, and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control. These factors include the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions and events, including embargoes, affecting oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Lower oil and natural gas prices may not only decrease our revenues on a per unit basis but may also reduce the amount of oil and natural gas that we can produce economically. A substantial or extended decline in oil or natural gas prices may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures.

Relatively short production periods for our properties subject us to high reserve replacement needs and require significant capital expenditures to replace our reserves at a faster rate than companies whose reserves have longer production periods.

Unless we conduct successful development, exploitation and exploration activities or acquire properties containing proved reserves, our proved reserves will decline as those reserves are produced. Producing oil and natural gas reservoirs are generally characterized by declining production rates that vary depending upon reservoir characteristics and other factors. High production rates generally result in recovery of a relatively higher percentage of reserves from properties during the initial few years of production. The vast majority of our current operations are in the Gulf of Mexico. Production from reservoirs in the Gulf of Mexico generally decline more rapidly than from reservoirs in many other producing regions of the world. As a result, our need to replace reserves from new investments is relatively greater than those of producers who recover lower percentages of their reserves over a similar time period.

Our future oil and natural gas reserves and production, and therefore our cash flow and income, are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves. We may not be able to develop, exploit, find or acquire additional reserves to replace our current and future production. We produce oil and natural gas from our reserves faster than many of our competitors. Our ability to replace those reserves is thus even more important for us than certain of our competitors. Further, as our aggregate reserves and production rates increase in volume, it will become more challenging to replace the produced reserves.

Competition for oil and natural gas properties and prospects is intense; some of our competitors have larger financial, technical and personnel resources that give them an advantage in evaluating and obtaining properties and prospects.

We operate in a highly competitive environment for reviewing prospects, acquiring properties, marketing oil and natural gas and securing trained personnel. Many of our competitors possess and employ financial resources that allow them to obtain substantially greater technical and personnel resources than we have. These additional resources can be particularly important in reviewing prospects and purchasing properties. Our competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. Our competitors may also be able to pay more for productive oil and natural gas properties and exploratory prospects than we are able or willing to pay. Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. If we are unable to compete successfully in these areas in the future, our future revenues and growth may be diminished or restricted. The availability of properties for acquisition depends largely on the divesting practices of other oil and natural gas companies, commodity prices, general economic conditions and other factors we cannot control or influence.

We plan to conduct exploration, exploitation and production operations on the deep shelf and in the deepwater of the Gulf of Mexico, which presents unique operating risks.

The deep shelf and the deepwater of the Gulf of Mexico are areas that have had limited historical drilling activity due, in part, to their geological complexity and depth and higher cost. There are additional risks associated with deep shelf and deepwater drilling that could result in substantial cost overruns and/or result in uneconomic projects or wells. Deeper targets are more difficult to detect with traditional seismic processing. Moreover, drilling expense and the risk of mechanical failure are significantly higher because of the additional depth and adverse conditions such as high temperature and pressure. We will likely experience significantly higher cost for any deep shelf wells that we drill. Accordingly, we cannot assure you that our oil and natural gas exploration activities, in the deep shelf, the deepwater and elsewhere, will be commercially successful.

In addition, as we carry out our drilling program in the deepwater, it is possible that we will not serve as operator of a planned well. As a result, we may have limited ability to exercise influence over the operations for these properties or their associated costs. Our dependence on the operator and other working interest owners for these deepwater projects and our limited ability to influence operations and associated costs could prevent the realization of our targeted returns on capital in drilling or acquisition activities in the deepwater of the Gulf of Mexico. The success and timing of development and exploitation activities on properties operated by others depend upon a number of factors that will be largely outside of our control, including:

- the timing and amount of capital expenditures;
- the availability of suitable offshore drilling rigs, drilling equipment, support vessels, production and transportation infrastructure and qualified operating personnel;
- the operator’s expertise and financial resources;
- approval of other participants in drilling wells; and
- selection of technology.

The oil and natural gas business involves many uncertainties and operating risks that can prevent us from realizing profits and can cause substantial losses.

Our development activities may be unsuccessful for many reasons, including weather, cost overruns, equipment shortages and mechanical difficulties. Moreover, the successful drilling of a natural gas or oil well does not ensure we will realize a profit on our investment. A variety of factors, both geological and market-related, can cause a well to become uneconomical or only marginally economical. In addition to their costs, unsuccessful wells can hurt our efforts to replace reserves.

The oil and natural gas business involves a variety of operating risks, including:

- fires;
- explosions;
- blow-outs and surface cratering;
- uncontrollable flows of natural gas, oil and formation water;
- natural disasters, such as hurricanes and other adverse weather conditions;
- pipe, cement, subsea well or pipeline failures;
- casing collapses;
- mechanical difficulties, such as lost or stuck oil field drilling and service tools;
- abnormally pressured formations; and
- environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases.

If we experience any of these problems, well bores, platforms, gathering systems and processing facilities could be affected, which could adversely affect our ability to conduct operations. We could also incur substantial losses as a result of:

- injury or loss of life;
- severe damage to and destruction of property, natural resources and equipment;
- pollution and other environmental damage;
- clean-up responsibilities;
- regulatory investigation and penalties;
- suspension of our operations; and
- repairs to resume operations.

Offshore operations are also subject to a variety of operating risks peculiar to the marine environment, such as capsizing, collisions and damage or loss from hurricanes or other adverse weather conditions. These conditions can cause substantial damage to facilities and interrupt production. As a result, we could incur substantial liabilities that could reduce or eliminate the funds available for exploration, exploitation and acquisitions or result in loss of equipment and properties.

The geographic concentration of our properties in the Gulf of Mexico subjects us to an increased risk of loss of revenue or curtailment of production from factors affecting the Gulf of Mexico specifically.

The geographic concentration of our properties along the Texas and Louisiana Gulf Coast and adjacent waters on and beyond the outer continental shelf means that some or all of our properties could be affected by the same event should the Gulf of Mexico experience:

- severe weather;

- delays or decreases in production, the availability of equipment, facilities or services;
- delays or decreases in the availability of capacity to transport, gather or process production; or
- changes in the regulatory environment.

Because all our properties could experience the same condition at the same time, these conditions could have a relatively greater impact on our results of operations than they might have on other operators who have properties over a wider geographic area.

Substantial acquisitions and exploitation activities could require significant external capital and could change our risk and property profile.

In order to finance acquisitions of properties and our exploitation activities, we may need to alter or increase our capitalization substantially through the issuance of debt or equity securities, the sale of production payments or other means. These changes in capitalization may significantly affect our financial risk profile. Additionally, significant acquisitions or other transactions can change the character of our operations and business. The character of the new properties may be substantially different in operating or geological characteristics or geographic location than our existing properties. Furthermore, we may not be able to obtain external funding for any such acquisitions or other transactions or to obtain external funding on terms acceptable to us.

Properties that we buy may not produce as projected and we may be unable to identify liabilities associated with the properties or obtain protection from sellers against them.

Our business strategy includes a continuing acquisition program. The successful acquisition of oil and natural gas properties requires assessments of many factors that are inherently inexact and may be inaccurate, including the following:

- acceptable prices for available properties;
- the amount of recoverable reserves;
- future oil and natural gas prices;
- estimates of exploratory, development and operating costs;
- estimates of the costs and timing of plug and abandonment; and
- potential environmental and other liabilities.

Our assessment of the acquired properties will not reveal all existing or potential problems, nor will it permit us to become familiar enough with the properties to fully assess their capabilities and deficiencies. In the course of our due diligence, we may not inspect every well, platform or pipeline. Inspections may not reveal structural and environmental problems, such as pipeline corrosion or groundwater contamination, when they are made. We may not be able to obtain contractual indemnities from the seller for liabilities that it created. We may be required to assume the risk of the physical condition of the properties in addition to the risk that the properties may not perform in accordance with our expectations.

If oil and natural gas prices decrease, we may be required to take write-downs of the carrying values and/or the estimates of total reserves of our oil and natural gas properties.

Accounting rules require that we review periodically the carrying value of our oil and natural gas properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews and the continuing evaluation of development plans, production data, economics and other factors, we may be required to write down the carrying value of our oil and natural gas properties. A write-down constitutes a non-cash charge to earnings. We may incur noncash charges in the future, which could have a material adverse effect on our results of operations in the period taken. We may also reduce our estimates of the reserves that may be economically recovered, which could have the effect of reducing the total value of our reserves.

Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in our reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and the calculation of the present value of reserves shown in this prospectus. Please read "*Business and Properties*" beginning at page 41 for information about our estimated oil and natural gas reserves.

In order to prepare the reserve estimates included in this prospectus, our independent petroleum consultants projected production rates and timing of development expenditures. Our independent petroleum consultants also analyzed available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary and may not be in our control. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will most likely vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of reserves shown in this prospectus. In addition, our independent petroleum consultant may adjust estimates of proved reserves to reflect production history, drilling results, prevailing oil and natural gas prices and other factors, many of which are beyond our control.

You should not assume that the present value of future net revenues from our proved reserves referred to in this prospectus is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements, we generally base the estimated discounted future net cash flows from our proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the present value estimate. For example, if natural gas prices decline by $0.10 per Mcf, then the PV-10 value of our proved reserves as of December 31, 2003 would decrease from $1,243.5 million to $1,226.5 million. If oil prices decline by $1.00 per barrel, then the PV-10 value of our proved reserves as of December 31, 2003 would decrease from $1,243.5 million to $1,219.2 million.

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities or quantities sufficient to meet our targeted rate of return.

A prospect is a property in which we own an interest or have operating rights and have what our geoscientists believe, based on available seismic and geological information, to be indications of oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to be drilled to a prospect that will require substantial additional seismic data processing and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion cost or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. We cannot assure you that the analysis we perform using data from other wells, more fully explored prospects and/or producing fields will be useful in predicting the characteristics and potential reserves associated with our drilling prospects. As we focus our drilling efforts on deepwater and deep shelf targets, our drilling activities will likely become more expensive and may exceed our historical finding and development cost. In addition, the geological complexity of deepwater and deep shelf formations may make it more difficult for us to sustain our historical rates of drilling success. As a result, there can be no assurance that we will find commercially viable quantities of oil and natural gas, and therefore, there can be no assurance that we will achieve our targeted rate of return or have a positive rate of return on investment.

Market conditions or operational impediments may hinder our access to oil and natural gas markets or delay our production.

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities, in some cases owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business. We may be required to shut in wells for a lack of a market or because of inadequacy or unavailability of pipelines or gathering system capacity. If that were to occur, then we would be unable to realize revenue from those wells until arrangements were made to deliver our production to market.

We are subject to numerous laws and regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations and facilities are subject to extensive federal, state and local laws and regulations relating to the exploration for, and the development, production and transportation of, oil and natural gas, and operating safety. Future laws or regulations, any adverse change in the interpretation of existing laws and regulations or our failure to comply with existing legal requirements may harm our business, results of operations and financial condition. We may be required to make large and unanticipated capital expenditures to comply with governmental regulations, such as:

- land use restrictions;
- lease permit restrictions;
- drilling bonds and other financial responsibility requirements, such as plug and abandonment bonds;
- spacing of wells;
- unitization and pooling of properties;
- safety precautions;
- operational reporting; and
- taxation.

Under these laws and regulations, we could be liable for:

- personal injuries;
- property and natural resource damages;
- well reclamation cost; and
- governmental sanctions, such as fines and penalties.

Our operations could be significantly delayed or curtailed and our cost of operations could significantly increase as a result of regulatory requirements or restrictions. We are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. See "*Business and Properties — Regulation"* beginning at page 52 for a more detailed description of our regulatory risks.

Our operations may incur substantial liabilities to comply with the environmental laws and regulations.

Our oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations:

- require the acquisition of a permit before drilling commences;

- restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities;
- limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; and
- impose substantial liabilities for pollution resulting from our operations.

Failure to comply with these laws and regulations may result in:

- the assessment of administrative, civil and criminal penalties;
- incurrence of investigatory or remedial obligations; and
- the imposition of injunctive relief.

Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to reach and maintain compliance and may otherwise have a material adverse effect on our industry in general and on our own results of operations, competitive position or financial condition. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or contamination or if our operations met previous standards in the industry at the time they were performed. See *"Business and Properties—Regulation"* beginning at page 52 for a more detailed description of our environmental risks.

We operate a production platform in a National Marine Sanctuary.

Our oil and natural gas operation includes a production platform located in a National Marine Sanctuary in the Gulf of Mexico that is subject to special federal laws and regulations. Unique regulations related to operations in the Sanctuary include prohibition of drilling activities within certain protected areas, restrictions on substances that may be discharged, depths of discharge in connection with drilling and production activities and limitations on mooring of vessels. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, incurrence of investigatory or remedial obligations or the imposition of injunctive relief, including cessation of production from wells associated with this platform. During March 2004, our average net production from wells associated with this platform was approximately 13.1 MMcfe per day. If we are required to curtail or cease production from this platform, it could adversely affect our cash flows, results of operations and asset value.

The loss of senior management could adversely affect us.

To a large extent, we depend on the services of our senior management. The loss of the services of any of our senior management, including Tracy W. Krohn, our Chairman, Chief Executive Officer, President and Treasurer; W. Reid Lea, our Vice President of Finance, Chief Financial Officer and Assistant Secretary; Jeffery M. Durrant, our Vice President of Exploration/Geoscience; or Joseph Slattery, our Vice President of Operations, could have a negative impact on our operations. We do not maintain or plan to obtain any insurance against the loss of any of these individuals. Please read "*Management*" beginning at page 58 for more information regarding the members of our management team.

The unavailability or high cost of drilling rigs, equipment, supplies, personnel and oil field services could adversely affect our ability to execute our exploration and exploitation plans on a timely basis and within our budget.

Shortages or the high cost of drilling rigs, equipment, supplies or personnel could delay or adversely affect our exploitation and exploration operations, which could have a material adverse effect on our business, financial

condition or results of operations. If the unavailability or high cost of rigs, equipment, supplies or personnel were particularly severe in Texas, Louisiana and the Gulf of Mexico, we could be materially and adversely affected because our operations and properties are concentrated in those areas.

Counterparty credit risk may negatively impact the conversion of our accounts receivables to cash.

Substantially all of our accounts receivable result from oil and natural gas sales or joint interest billings to third parties in the energy industry. This concentration of customers and joint interest owners may impact our overall credit risk in that these entities may be similarly affected by any adverse changes in economic and other conditions. Recent market conditions resulting in downgrades to credit ratings of energy merchants have affected the liquidity of several of our purchasers. During the third quarter of 2002, we discontinued selling to several energy merchants who received downgrades to their credit ratings, or we required payment on delivery of our oil and natural gas sales. We continue to sell oil and natural gas to companies we believe are reasonable credit risks. In some cases, we have required purchasers to post letters of credit to secure their performance under the purchase contracts. Based on the current demand for oil and natural gas, we do not expect that termination of sales to previous purchasers would have a material adverse effect on our ability to sell our production at favorable market prices.

Our insurance coverage may not be sufficient or may not be available to cover some liabilities or losses that we may incur.

The occurrence of a significant accident or other event not fully covered by our insurance could have a material adverse impact on our operations and financial condition. Our insurance does not protect us against all operational risks. We do not carry business interruption insurance at levels that would provide enough funds for us to continue operating without access to other funds. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. Because third party drilling contractors are used to drill our wells, we may not realize the full benefit of workmen's compensation laws in dealing with their employees. In addition, pollution and environmental risks generally are not fully insurable.

Risks Related to Our Principal Shareholder, Tracy W. Krohn

We will be controlled by Tracy W. Krohn as long as he owns a majority of our outstanding common stock, and you will be unable to affect the outcome of shareholder voting during that time. This control may adversely affect the value of our common stock and inhibit potential changes of control.

Following this offering, Tracy W. Krohn will control approximately shares of our common stock, representing approximately % of our voting interests. As a result, Tracy W. Krohn will have the ability to control the outcome of all matters requiring shareholder approval, and investors in this offering, by themselves, will not be able to affect the outcome of any shareholder vote. As a result, Tracy W. Krohn, subject to any fiduciary duty owed to our minority shareholders under Texas law, will be able to control all matters affecting us, including:

- the composition of our board of directors and, through it, any determination with respect to our business direction and policies, including the appointment and removal of officers;
- the determination of incentive compensation, which may affect our ability to retain key employees;
- any determinations with respect to mergers or other business combinations;
- our acquisition or disposition of assets;
- our financing decisions and our capital raising activities;
- our payment of dividends on our common stock;
- amendments to our amended and restated articles of incorporation or bylaws; and
- determinations with respect to our tax returns.

Mr. Krohn is generally not prohibited from selling a controlling interest in us to a third party. In addition, his concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that might be beneficial to our business. As a result, the market price of our common stock could be adversely affected.

In addition, because Tracy W. Krohn will own a majority of our common stock, we will be a "controlled company" within the meaning of the rules of the New York Stock Exchange. As such, we will not be required to comply with certain corporate governance rules of the New York Stock Exchange that would otherwise apply to us as a listed company on the New York Stock Exchange. These rules are generally intended to increase the likelihood that boards will make decisions in the best interests of shareholders. Specifically, we will not be required to have a majority of independent directors on our board of directors, and we will not be required to have nominating and corporate governance and compensation committees composed of independent directors. Should the interests of Tracy W. Krohn differ from those of other shareholders, the other shareholders will not be afforded the protections of having a majority of directors on the board who are independent from our principal shareholder.

Risks Relating to the Offering

The market price of our common stock could be adversely affected by sales of substantial amounts of our common stock in the public markets and the issuance of additional shares of common stock in future acquisitions.

Sales of a substantial number of shares of our common stock in the public market after this offering or the perception that these sales may occur could cause the market price of our common stock to decline. In addition, the sale of these shares in the public market could impair our ability to raise capital through the sale of additional common or preferred stock. After this offering, we will have shares of common stock outstanding. Of these shares, all shares sold in the offering, other than shares, if any, purchased by our affiliates, will be freely tradable. See "*Shares Eligible for Future Sale*" beginning at page 70 for more information regarding this risk.

In addition, in the future, we may issue shares of our common stock in connection with acquisitions of assets or businesses. If we use our shares for this purpose, the issuances could have a dilutive effect on the value of your shares, depending on market conditions at the time of an acquisition, the price we pay, the value of the business or assets acquired, and our success in exploiting the properties or integrating the businesses we acquire and other factors.

The initial public offering price of our common stock may not be indicative of the market price of our common stock after this offering and our stock price may be volatile.

Prior to this offering, we were a private company and there was no public market for our common stock. An active market for our common stock may not develop or may not be sustained after this offering. The initial public offering price of our common stock was determined by negotiations between the qualified independent underwriter and us, based on the factors that we discuss in the "*Underwriting"* section of this prospectus beginning on page 71. This price may not be indicative of the market price for our common stock after this initial public offering. The market price of our common stock could be subject to significant fluctuations after this offering and may decline below the initial public offering price. You may not be able to resell your shares at or above the initial public offering price. The following factors could affect our stock price:

- our operating and financial performance and prospects;
- quarterly variations in the rate of growth of our financial indicators, such as net income per share, net income, revenues, cash flow per share and cash flow from operations;
- changes in revenue or earnings estimates or publication of research reports by analysts;
- speculation in the press or investment community;

- sales of our common stock by our major shareholders;
- actions by institutional investors or by our major shareholders prior to their disposition of our common stock;
- general market conditions, including fluctuations in commodity prices; and
- domestic and international economic, legal and regulatory factors unrelated to our performance.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

As of the date of this prospectus, we cannot specify with certainty the particular uses for the net proceeds we will receive from this offering. We currently intend to use the net proceeds from this offering as described under "*Use of Proceeds*" on page 22 in this prospectus, which indicates that our management will have broad discretion in the use of the net proceeds. If our management fails to apply these funds effectively, we may not be successful in implementing our business strategy of generating a high return on equity. Further, we may not be able to find a productive use for all or part of the net proceeds from this offering.

Purchasers in this offering will suffer immediate and substantial dilution.

If you purchase common stock in this offering, you will experience immediate and substantial dilution of $ per share, based upon an assumed initial public offering price of $ per share, because the price you pay will be substantially greater than the adjusted net tangible book value per share of $ for the shares you acquire. This dilution is due in large part to the fact that prior investors paid an average price of $ per share when they purchased their shares of common stock, which is substantially less than the anticipated initial public offering price. See *"Dilution"* beginning at page 23 for a more detailed discussion of dilution.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains some forward-looking statements, which reflect our current expectations or forecasts of future events. All statements in this prospectus that are not statements of historical fact are forward-looking statements. These statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include, among other things, statements relating to:

- amount, nature and timing of capital expenditures;
- drilling of wells and other planned exploitation activities;
- timing and amount of future production of oil and natural gas;
- increases in proved reserves;
- operating cost such as finding and development cost, lease operating expenses, administrative cost and other expenses;
- our future operating or financial results;
- cash flow and anticipated liquidity;
- our business strategy, including expansion into the deep shelf and the deepwater of the Gulf of Mexico, and the availability of acquisition opportunities;
- exploration and exploitation activities and property acquisitions;
- marketing of oil and natural gas; and
- timing and amount of future dividends.

Any or all of our forward-looking statements in this prospectus may turn out to be incorrect. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including those mentioned in "*Risk Factors,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and elsewhere in this prospectus. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $ million from the sale of the shares of our common stock in this offering based upon an assumed initial public offering price of $ per share, the midpoint of the offering price range, after deducting underwriting discounts and commissions and estimated offering expenses. If the underwriters' overallotment option is exercised in full, we estimate that our net proceeds will be approximately $ million.

We intend to use the net proceeds of this offering to fund a portion of our acquisition, exploitation and exploration activities and for general corporate purposes.

DIVIDEND POLICY

Our credit facility allows us to pay up to $10 million in dividends in each year, but only if we meet certain financial tests and are not in default. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" beginning at page 34 for more information regarding our credit facility.

We currently intend to pay to our shareholders a dividend of $ per quarter ($ annually) per share of common stock. We expect to pay the first dividend in 2004, representing a pro rata dividend for the period from the date of the initial public offering to , 2004. There can be no assurance, however, that this dividend or any future dividend will be declared or paid.

The determination of the amount of cash dividends (including the initial quarterly dividend referred to above), if any, to be declared and paid will depend upon declaration by our board of directors and upon our financial condition, results of operations, cash flow, the level of our acquisition, exploitation and exploration expenditures, our future business prospects and such other matters that our board of directors deems relevant.

DILUTION

The net tangible book value of our common stock on December 31, 2003 was approximately $ per share. The net tangible book value per share is determined by dividing our tangible net worth, or tangible assets less total liabilities, by the total number of outstanding shares of common stock, calculated on a fully diluted basis, giving effect to the assumed conversion of our outstanding preferred stock to common stock. After giving effect to the sale of common stock offered by this prospectus (at an assumed price of $ per share) and the receipt of the estimated net proceeds, after deducting underwriting discounts and estimated offering expenses, our net tangible book value at December 31, 2003 would have been approximately $ per share. This represents an immediate and substantial increase in the net tangible book value of $ per share to existing shareholders and an immediate dilution of $ per share to new investors purchasing common stock in this offering, resulting from the difference between the initial public offering price and the net tangible book value after this offering. The following table illustrates the per share dilution to new investors purchasing common stock in this offering:

Initial public offering price per share		$
Net tangible book value per share at December 31, 2003	$	
Increase per share attributable to new investors		
Net tangible book value per fully-diluted share after this offering		
Dilution per share to new investors		$

The following table sets forth, at , 2004, the number of shares of common stock purchased from us and the total consideration and average price per share paid by existing shareholders and by the new investors before deducting offering expenses:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
			(in thousands, except per share data)		
Existing shareholders			$		$
New investors					
Total			$		$

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2003 on an actual and an as adjusted basis, giving effect to this offering at a price of $ per share (the mid-point of the expected range of offering prices set forth on the cover page of this prospectus), net of estimated offering expenses and underwriting discounts and commissions, as if the offering had occurred on December 31, 2003.

This information should be read in conjunction with our consolidated financial statements and related notes and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 29 of this prospectus.

	As of December 31, 2003	
	Actual	As adjusted
	(in thousands, except share data)	
Cash and cash equivalents	$ 4,016	$
Long-term debt:		
Revolving loan facility	$ 67,000	$
Shareholders' equity:		
Preferred stock, $.00001 par value, 2,000,000 shares authorized, 2,000,000 issued and outstanding actual; no shares issued and outstanding as adjusted (1)	45,435	
Common stock, $.00001 par value, 18,000,000 shares authorized, 7,874,520 shares issued and outstanding actual; shares issued and outstanding as adjusted	—	
Additional paid-in capital	6,087	
Retained earnings	162,933	
Total shareholders' equity	214,455	
Total capitalization	$ 281,455	$

(1) Upon consummation of the offering, all of the preferred stock will be converted to common stock.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The selected historical financial information set forth below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and with our financial statements and the notes to those financial statements included elsewhere in this prospectus. The summary unaudited *pro forma* data set forth below were derived from the unaudited *pro forma* financial statements included elsewhere in this prospectus, and should be read in conjunction with those statements. Unaudited *pro forma* information is based on assumptions and includes adjustments as explained in the notes to the unaudited *pro forma* financial information included in this prospectus. The unaudited *pro forma* financial information is not necessarily indicative of the results that actually would have been achieved for this period or that may be achieved in the future.

	Year Ended December 31,					
	1999	2000	2001	2002	2003	*Pro forma* 2003 (1)
			(dollars in thousands)			(Unaudited)
Consolidated Statement of Income Information:						
Revenues:						
Oil and natural gas sales	$ 55,814	$ 102,285	$ 169,054	$ 189,892	$ 421,435	$ 502,140
Other	565	1,762	534	1,443	1,152	1,152
Total revenues	56,379	104,047	169,588	191,335	422,587	503,292
Expenses:						
Lease operating	6,093	12,622	22,099	26,454	65,947	77,531
Gathering, transportation cost and production taxes	1,454	2,850	5,048	3,672	10,213	10,331
Depreciation, depletion and amortization	26,278	29,775	65,293	89,941	136,249	146,299
Asset retirement obligation accretion (2)	—	—	—	—	7,443	9,075
General and administrative (3)	6,029	6,398	9,677	10,060	22,912	22,912
Total operating expenses	39,854	51,645	102,117	130,127	242,764	266,148
Impairment of subsidiary assets (4)	—	—	—	3,750	—	—
Income from operations	16,524	52,402	67,471	57,458	179,823	237,144
Net interest income (expense)	(2,496)	(4,198)	(3,902)	(3,001)	(2,229)	(2,857)
Income before income taxes	14,028	48,204	63,569	54,457	177,594	234,287
Income tax expense (5)	—	—	—	52,408	61,156	80,999
Cumulative effect of change in accounting principle (net of tax of $77) (2)	—	—	—	—	144	144
Net income	$ 14,028	$ 48,204	$ 63,569	$ 2,049	$ 116,582	$ 153,432
Less: Preferred stock dividends	—	—	—	—	5,876	5,876
Net income available to common shareholders	$ 14,028	$ 48,204	$ 63,569	$ 2,049	$ 110,706	$ 147,556
Common stock dividends	—	—	—	—	$ 35,124	$ 35,124
Subchapter S Corporation tax distributions	$ 927	$ 2,494	$ 14,001	$ 13,883	—	—
Consolidated Cash Flow Information:						
Net cash provided by operating activities	$ 37,634	$ 96,824	$ 123,884	$ 147,809	$ 263,155	
Capital expenditures	34,714	129,725	126,399	116,759	203,400	
Other Financial Information (unaudited):						
EBITDA (6)	$ 42,802	$ 82,177	$ 132,764	$ 147,399	$ 323,659	$ 392,662

	As of December 31,				
	1999	2000	2001	2002	2003
	(dollars in thousands)				
Consolidated Balance Sheet Information:					
Total assets	$ 109,953	$ 214,170	$ 282,483	$ 341,194	$ 546,729
Long-term debt	31,000	67,000	82,400	99,600	67,000
Shareholders' equity	68,904	114,613	164,182	133,330	214,455

(1) Gives effect to the transaction with ConocoPhillips completed in December 2003, as if consummated on January 1, 2003. See the unaudited pro forma financial statements for more information regarding this transaction.

(2) Effective January 1, 2003, we adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations." The cumulative effect of the change in accounting principle is $220,900 ($143,585 net of tax). See Note 2 to our consolidated financial statements.

(3) The 2003 amount includes $9.3 million of compensation expense resulting from an incentive compensation grant to our key employees (other than the Chief Executive Officer and the Corporate Secretary), of which approximately $5.5 million was restricted common stock and approximately $3.8 million was cash.

(4) This impairment is related to the sale of a subsidiary to two of our shareholders. See Notes 4 and 15 to our consolidated financial statements.

(5) On December 3, 2002, we revoked our election under Subchapter S of the Internal Revenue Code and began paying income tax at the corporate level. Current and deferred tax liabilities recorded in 2002 reflected the cumulative effect of certain tax liabilities, as more fully described in Note 9 to our consolidated financial statements.

(6) We define EBITDA as net income plus income tax expense, net interest expense, depreciation, depletion, amortization and accretion. Although not prescribed under GAAP, we believe the presentation of EBITDA is relevant and useful because it helps our investors understand our operating performance and makes it easier to compare our results with those of other companies that have different financing, capital or tax structures. EBITDA should not be considered in isolation from or as a substitute for net income, as an indication of operating performance or cash flows from operating activities or as a measure of liquidity. EBITDA, as we calculate it, may not be comparable to EBITDA measures reported by other companies. In addition, EBITDA does not represent funds available for discretionary use. The following table presents a reconciliation of our consolidated net income to consolidated EBITDA:

	Year Ended December 31,					
	1999	2000	2001	2002	2003	*Pro forma* 2003
			(dollars in thousands)			(Unaudited)
Net income	$ 14,028	$ 48,204	$ 63,569	$ 2,049	$ 116,582	$ 153,432
Income tax expense	—	—	—	52,408	61,156	80,999
Net interest expense	2,496	4,198	3,902	3,001	2,229	2,857
Depreciation, depletion, amortization and accretion	26,278	29,775	65,293	89,941	143,692	155,374
EBITDA	$ 42,802	$ 82,177	$ 132,764	$ 147,399	$ 323,659	$ 392,662

HISTORICAL RESERVE AND OPERATING INFORMATION

The following table presents summary information regarding our estimated net proved oil and natural gas reserves as of December 31, 1999, 2000, 2001, 2002 and 2003 and our historical operating data for the years ended December 31, 1999, 2000, 2001, 2002 and 2003. All calculations of estimated net proved reserves have been made in accordance with the rules and regulations of the SEC and, except as otherwise indicated, give no effect to federal or state income taxes or estimated plug and abandonment cost. For additional information regarding our reserves, please read the section of this prospectus entitled "*Business and Properties*." beginning on page 41. The selected historical operating data set forth below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and with our consolidated financial statements and the notes to those consolidated financial statements included elsewhere in this prospectus.

	As of December 31,				
	1999	2000	2001	2002	2003
Reserve Data:					
Estimated net proved reserves:					
Natural gas (Bcf)	56.4	103.4	154.7	219.0	231.1
Oil (MMBbls)	16.4	17.3	15.2	23.1	35.6
Total (Bcfe) (1)	154.9	207.4	245.7	357.5	444.7
Proved developed (Bcfe)	119.3	149.1	173.0	229.2	295.6
Proved undeveloped (Bcfe)	35.6	58.3	72.7	128.3	149.1
Proved developed reserves as a percentage of proved reserves	77.0%	71.9%	70.4%	64.1%	66.5%
Reserve Additions:					
Acquisitions (Bcfe)	88.6	64.9	2.1	128.3	124.1
Extensions, discoveries and other additions (Bcfe)	13.7	22.2	93.1	24.2	48.6
Revisions (Bcfe)	(4.1)	(9.4)	(12.9)	15.0	(6.5)
Total net reserve additions (Bcfe)	98.2	77.7	82.2	167.5	166.2

	Year Ended December 31,				
	1999	2000	2001	2002	2003
Operating Data:					
Net sales:					
Natural gas (MMcf)	9,846	12,368	28,412	39,368	52,807
Oil (MBbls)	1,885	1,893	2,314	2,465	4,373
Total natural gas and oil (MMcfe)	21,156	23,726	42,296	54,158	79,045
Average daily equivalent production (MMcfe/d)	58.1	64.9	115.9	148.5	216.6
Average realized sales price:					
Natural gas ($/Mcf)	$ 2.26	$ 4.02	$ 4.11	$ 3.34	$ 5.60
Oil ($/Bbl)	17.79	27.79	22.66	23.57	28.74
Average per Mcfe data ($/Mcfe):					
Lease operating	$ 0.29	$ 0.53	$ 0.52	$ 0.49	$ 0.83
Gathering, transportation cost and production taxes	0.07	0.12	0.12	0.07	0.13
Depletion, depreciation, amortization and accretion	1.24	1.26	1.54	1.66	1.82
General and administrative (2)	0.28	0.27	0.23	0.19	0.29
Net cash provided by operating activities	1.78	4.08	2.93	2.73	3.33
EBITDA (3)	2.02	3.46	3.14	2.72	4.09

(1) One billion cubic feet equivalent (Bcfe), one million cubic feet equivalent (MMcfe), and one thousand cubic feet equivalent (Mcfe) are determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids (totals may not add due to rounding).

(2) The 2003 amount includes $9.3 million ($0.12 per Mcfe) of compensation expense resulting from an incentive compensation grant to our key employees (other than the Chief Executive Officer and the Corporate Secretary), of which approximately $5.5 million was restricted common stock and approximately $3.8 million was cash.

(3) We define EBITDA as net income plus income tax expense, net interest expense, depreciation, depletion, amortization and accretion. See footnote 6 to the table under *"Selected Historical and Pro Forma Financial Information"* section for a reconciliation of EBITDA to net income. Although not prescribed under GAAP, we believe the presentation of EBITDA is relevant and useful because it helps our investors understand our operating performance and makes it easier to compare our results with those of other companies that have different financing, capital or tax structures. EBITDA should not be considered in isolation from or as a substitute for net income, as an indication of operating performance or cash flows from operating activities or as a measure of liquidity. EBITDA, as we calculate it, may not be comparable to EBITDA measures reported by other companies. In addition, EBITDA does not represent funds available for discretionary use.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our selected historical financial data and our accompanying consolidated financial statements and the notes to those financial statements included elsewhere in this prospectus. The following discussion includes forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in "*Risk Factors*."

Overview

We are engaged in oil and natural gas acquisition, exploitation and exploration activities, primarily in the Gulf of Mexico. We own working interests in approximately 110 fields in federal and state waters, and we operate wells accounting for approximately 52% of our daily production. We have interests in leases covering approximately 960,000 acres spanning across the outer continental shelf off the coast of Louisiana, Texas, Mississippi and Alabama. We own interests in 279 offshore structures, of which 104 are platforms in the fields that we operate. We maintain these platforms and use them to separate oil and natural gas derived from nearby wells. In recent years, we have acquired interests in acreage and wells in the deepwater (more than 500 feet of water) off the outer continental shelf.

We have a history of acquiring proved reserves at attractive prices. During the five-year period ended December 31, 2003, we completed five significant acquisitions for a total purchase price of approximately $176.3 million, which added an aggregate of approximately 343.2 Bcfe to our net proved reserves. We have focused on acquiring properties where we can develop an inventory of drilling prospects enabling us to continue to add reserves post-acquisition.

Subsequent to the completion of these five acquisitions, we have deployed resources to achieve the value of the proved developed reserves, to exploit the proved undeveloped reserves and to explore for upside potential by drilling for unproven reserves. From the time of acquisition of these properties through December 31, 2003, we have invested an additional $223.0 million in exploitation, exploration and the exercise of preferential rights of purchase. Through these activities, we have added an incremental 187.0 Bcfe of proved reserves, including reserve revisions, while producing 156.8 Bcfe from these properties.

As of December 31, 2003, the remaining proved reserves for these acquired properties totaled 373.4 Bcfe, with a PV-10 of $1,068 million. A substantial portion of the increase in value subsequent to these acquisitions has come through additional drilling. As a result, through December 31, 2003, we have achieved a compounded annual return of greater than 80% on the capital we have deployed on the acquired properties, including the effect of changes in commodity prices, with significant reserves remaining to be produced.

During 2002, we completed our largest acquisition to date from Burlington Resources with working interests in 53 offshore fields. During 2003, we acquired working interests in 13 offshore fields from ConocoPhillips. Both of these acquisitions were consummated in the month of December, so they did not have a material effect on our operations or income statement in the year completed.

Our exploration efforts are balanced between discovering new reserves associated with acquisitions and discoveries on acreage already under lease. Historically, we have financed our exploratory drilling with net cash provided by operating activities. The investment associated with drilling a well and future development of a project principally depends upon the water depth of the well or project, the depth of the well or wells, the complexity of the geological formations involved and whether the well or project can be connected to existing infrastructure or will require additional investment in infrastructure. Deepwater and deep shelf drilling projects can be substantially more capital intensive than those on the conventional shelf. When projects are extremely capital intensive and involve substantial risk, we generally seek joint venture participants to share the risk.

We generally sell our oil and natural gas at the current market price at the wellhead, or we transport it to "pooling points" where it is sold. We are required to pay gathering and transportation cost with respect to all of our products. We market our products several different ways depending upon a number of factors, including the availability of purchasers for the product at the wellhead, the availability and cost of pipelines near the well or related production platform, market prices, pipeline constraints and operational flexibility. During 2003, we sold an average of approximately 145 MMcf of natural gas per day and approximately 12,000 Bbl of oil per day. Our revenues in 2003 benefited from a general rise in oil and natural gas prices over the year. Over the past three years, we have not engaged in any commodity or financial hedging transactions, and we presently have no hedges in place.

Our operating costs involve the expense of operating our wells, platforms and other infrastructure in the Gulf of Mexico and transporting our products to the point of sale. Our operating costs are generally comprised of several components, including direct operating cost, repair and maintenance cost, transportation cost, production taxes, workover cost and *ad valorem* taxes. Our operating costs are driven in part by the type of commodity produced, the level of workover activity and the geographical location of the properties.

In recent years, we have begun to acquire and build platforms near the outer edge of the continental shelf, and we have begun operating wells in the deepwater part of the Gulf of Mexico. As we expand our deepwater operations, our operating costs may increase. While each field can present operating problems that can add to the costs of operating a field, the production cost of a field is generally directly proportional to the number of platforms built in the field to handle production. As technologies have improved, it has become possible to produce oil and natural gas from a larger acreage area using a single platform, which may reduce the operating cost structure associated with recently developed fields. We expect our operating costs per Mcfe to increase during 2004, reflecting the higher cost structure of the fields we recently acquired on the outer edge of the continental shelf.

Applicable environmental regulations require us to remove our platforms after production has ceased, to plug and abandon all wells and to remediate any environmental damage our operations may have caused. The cost associated with our plug and abandonment liabilities generally increase as we drill wells in the deeper parts of the continental shelf and the deepwater. We generally do not pre-fund our estimated abandonment liabilities, which we estimated to be $127.6 million discounted at 8% at December 31, 2003, because we operate under an exemption from certain bonding requirements under MMS rules.

Results of Operations

The following table sets forth selected operating data for the periods indicated (all values are net to our interest):

	Year Ended December 31,		
	2001	2002	2003
Operating Data:			
Net sales:			
Natural gas (Bcf)	28.4	39.4	52.8
Oil (MMBbls)	2.3	2.5	4.4
Total natural gas and oil (Bcfe) (1)	42.3	54.2	79.0
Average daily equivalent production (MMcfe/d)	115.9	148.5	216.6
Average realized sales price:			
Natural gas ($/Mcf)	$ 4.11	$ 3.34	$ 5.60
Oil ($/Bbl)	22.66	23.57	28.74
Average per Mcfe data ($/Mcfe): (1)			
Lease operating	$ 0.52	$ 0.49	$ 0.83
Gathering, transportation cost and production taxes	0.12	0.07	0.13
Depletion, depreciation, amortization and accretion	1.54	1.66	1.82
General and administrative (2)	0.23	0.19	0.29
Net cash provided by operating activities	2.93	2.73	3.33
EBITDA (3)	3.14	2.72	4.09

(1) One billion cubic feet equivalent (Bcfe) and one thousand cubic feet equivalent (Mcfe) are determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids (totals may not add due to rounding).

(2) The 2003 amount includes $9.3 million of compensation expense resulting from an incentive compensation grant to our key employees (other than the Chief Executive Officer and the Corporate Secretary), of which approximately $5.5 million was restricted common stock and approximately $3.8 million was cash.

(3) We define EBITDA as net income plus income tax expense, net interest expense, depreciation, depletion, amortization and accretion. See Note 6 to the first table in "*Selected Historical and Pro Forma Financial Information*" for reconciliation of EBITDA to net income. Although not prescribed under GAAP, we believe the presentation of EBITDA is relevant and useful because it helps our investors understand our operating performance and makes it easier to compare our results with those of other companies that have different financing, capital or tax structures. EBITDA should not be considered in isolation from or as a substitute for net income, as an indication of operating performance or cash flows from operating activities or as a measure of liquidity. EBITDA, as we calculate it, may not be comparable to EBITDA measures reported by other companies. In addition, EBITDA does not represent funds available for discretionary use.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Oil and natural gas revenue. Oil and natural gas revenues increased approximately $231.5 million to $421.4 million in 2003. Natural gas revenues increased $164.1 million and oil and natural gas liquids revenues increased $67.4 million. The natural gas revenue increase was caused by a 68% increase in the average realized natural gas price from $3.34 per Mcf in 2002 to $5.60 per Mcf in 2003, combined with a 13.4 Bcf volume increase in natural gas sales in 2003. The oil revenue increase was caused by a sales volume increase of 1.9 million barrels in 2003 and a 22% increase in the average realized price, from $23.57 in 2002 to $28.74 in 2003. The volume increase for oil and natural gas was primarily attributable to our transaction with Burlington Resources in December 2002.

Lease operating expense. Our lease operating expenses increased from $26.5 million in 2002 to $65.9 million in 2003. The increase resulted from acquisitions during December 2002 and in 2003 that increased the

number of properties we had under lease. On a per Mcfe basis, lease operating expenses increased 69%, from $0.49 per Mcfe during 2002 to $0.83 per Mcfe during 2003. This increase was due to the fact that the properties we acquired from Burlington Resources had historically higher operating costs than our existing properties in part because they consisted of multi-platform fields.

Gathering, transportation cost and production taxes. Gathering, transportation cost and production taxes increased from $3.7 million in 2002 to $10.2 million in 2003, due in part to an increase in the volume of our production during 2003. Other factors that contributed to the increase in gathering and transportation cost during 2003 were market conditions in 2003 and, in particular, certain pipeline constraints requiring additional processing levels on natural gas production, along with a higher cost gas gathering agreement that we acquired as a result of the transaction with Burlington Resources.

Production taxes did not materially change in 2003. Most of our production, including production resulting from recent acquisitions, is from federal waters, where there are no production taxes.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expenses increased from $89.9 million in 2002 to $136.2 million in 2003. The increase in depreciation, depletion and amortization expense was a result of higher production volumes, combined with a higher depletion rate and a substantial increase in our total properties as a result of the transactions with Burlington Resources in December 2002 and ConocoPhillips in December 2003.

General and administrative expenses. General and administrative expenses, or G&A, increased from $10.1 million in 2002 to $22.9 million in 2003. This increase was related primarily to a grant by the Company of incentive compensation awards to key employees (other than the Chief Executive Officer and the Corporate Secretary) in 2003. The cost of these grants was approximately $9.3 million, which had the effect of increasing our G&A for 2003 by $0.12 per Mcfe over what it otherwise would have been. The incentive compensation grants were comprised of approximately $5.5 million of restricted common stock and $3.8 million of cash. In addition, there were increases in compensation expense associated with increased personnel required to administer our growth, more active acquisition and exploitation programs and general cost inflation. While we use the full-cost method of accounting that requires us to capitalize some of the costs of exploration, we expensed approximately $1.8 million in 2002 and $1.9 million in 2003 of geological and geophysical costs incurred in our exploration activities, which we included as general and administrative expenses.

Interest expense. Interest expense decreased to $2.5 million in 2003, compared to $3.1 million in 2002. The decrease was due to lower average debt levels in 2003 and a decline in overall interest rates. During 2003, we applied available excess cash flow to reduce our outstanding debt by $32.6 million.

Income tax expense. The amount of our income tax expense increased from $52.4 million in 2002 to $61.2 million in 2003. Income tax expenses in 2003 reflected our first full year as a corporate taxpayer after our December 2002 revocation of our election under subchapter S of the Internal Revenue Code. The $52.4 million of tax expense reflected in 2002 includes deferred taxes we were required to recognize upon our revocation of S-corporation status and is not reflective of the single year's expense. Our effective tax rate for 2003, the first full year in which we were taxed as a corporation, was 34%.

Cumulative effect of change in accounting principle. Upon our adoption of SFAS No. 143 effective January 1, 2003, we recorded an increase in net property, plant and equipment of $95.0 million, recognition of an initial asset retirement obligation of $101.7 million and a cumulative effect of adoption that increased net income and shareholders' equity by $0.1 million, net of income tax.

Net income. Net income increased from $2.0 million in 2002 to $116.6 million in 2003. The primary reasons for this increase were:

- the effect of a revocation of our election in 2002 under subchapter S of the Internal Revenue Code which required a $52.4 million provision for deferred taxes;

- the favorable effects on operating income contributed in 2003 by the properties we acquired in December 2002;
- higher crude oil and natural gas prices in 2003, as compared to 2002; and
- higher volumes of crude oil and natural gas sold in 2003, as compared to 2002.

These favorable factors were offset, in part, by higher lease operating, tax and general and administrative costs due to our growth.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Oil and natural gas revenues. Oil and natural gas revenue increased from $169.1 million in 2001 to $189.9 million in 2002. Natural gas revenue increased $15.0 million, and oil and natural gas liquids revenue increased $5.8 million. Natural gas revenue increased despite a decrease of nearly 19% in the average realized natural gas price, from $4.11 per Mcf in 2001 to $3.34 per Mcf in 2002, because of our 11 Bcf volume increase in natural gas sales in 2002. The oil and natural gas liquids revenue increase was caused by a sales volume increase of 200 MBbls in 2002 and a 4% increase in the average realized price from $22.66 in 2001 to $23.57 in 2002. The volume increase for oil and natural gas was due primarily to increased reserves resulting from capital expenditures during 2002 and previous years.

Lease operating expense. Although our lease operating expenses increased from $22.1 million in 2001 to $26.5 million in 2002, on a production equivalent basis, our lease operating expenses decreased from $0.52 per Mcfe in 2001 to $0.49 per Mcfe in 2002 as a result of increased production in 2002 following successful drilling programs with minimal increases in operating expenses. In addition, lease operating expenses of our operated properties were reduced 15% by selling two high cost, low production fields during 2002.

Gathering, transportation cost and production taxes. Gathering, transportation cost and production taxes decreased approximately 26% during 2002, compared to 2001, from $5.0 million to $3.7 million, despite an increase in the volume of production during the period. We reduced the amount of gas processed during 2002, thereby decreasing our gathering and transportation cost.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expenses increased by $24.6 million in 2002, rising from $65.3 million in 2001 to $89.9 million in 2002. This increase in DD&A resulted in part from higher production volumes, combined with a higher depletion rate over the course of the year. In addition, approximately 10% of the increase was due to our acquisition of certain properties from Burlington Resources in December 2002.

General and administrative expenses. General and administrative expenses increased from $9.7 million in 2001 to $10.1 million in 2002. However, on a production equivalent basis, G&A in 2002 was $0.19 per Mcfe, compared to $0.23 per Mcfe in 2001. The increase in G&A was related to increases in compensation expense associated with increased personnel required to administer our growth and to general cost inflation.

Interest expense. Interest expense decreased $1.1 million to $3.1 million in 2002, compared to $4.2 million in 2001. The decrease was due to the reduction in the average amount of outstanding long-term debt during 2002, as compared to 2001.

Income tax expense. The amount of our income tax expense for 2002 was $52.4 million. The substantially increased amount of income tax expense is primarily related to the December 2002 revocation of our election under subchapter S of the Internal Revenue Code. Prior to the revocation, we had no federal income tax obligation at the corporate level. The $52.4 million of tax expense reflected in 2002 includes the deferred taxes we were required to recognize upon our revocation of S-corporation status, and is not reflective of the single year's income tax expense.

Net income. Net income decreased from $63.6 million in 2001 to $2.1 million in 2002. The primary reason for this decrease was income tax associated with the revocation of our election under subchapter S of the Internal Revenue Code.

Liquidity and Capital Resources

Cash flow and working capital. Our net cash flows provided by operating activities increased from $147.8 million in 2002 to $263.2 million in 2003. These increases were due to increases in production volumes from 54.2 Bcfe in 2002 to 79.0 Bcfe in 2003 and from higher realized commodity prices.

Net cash flow used in investing activities totaled $112.6 million in 2002 and $204.4 million in 2003. Net cash used in investing activities includes the acquisitions made in each of those years as well as our other investments in our oil and natural gas properties. Net cash flow used in financing activities totaled $73.7 million in 2003 and $17.0 million in 2002. The higher amount in 2003 reflects increased borrowings under our credit facility for the transaction with ConocoPhillips. Our primary source of liquidity is our internally generated cash flow. During 2002 and 2003, our cash flow, together with our credit facility, provided sufficient liquidity to fund all of our investment activities.

We had a working capital deficit at December 31, 2003 of $29.1 million. Working capital deficits are not unusual at the end of a period and are usually the result of accounts payable related to exploration and exploitation. We believe that our working capital balance should be viewed in conjunction with availability of borrowings under our bank credit facility when measuring liquidity. Our credit agreement enables us to consider our available borrowings as current assets to calculate our working capital compliance ratio.

We intend to fund our future exploration and exploitation expenditures from net cash flow provided by operating activities and the net proceeds from this offering. Our future net cash flow provided by operating activities will depend on our ability to maintain and increase production through our exploitation and exploratory drilling program and through acquisitions, as well as the prices of oil and natural gas. We typically borrow under our bank credit facility for working capital needs in addition to funding acquisitions. We believe that our projected cash flows from operations and available capacity under our revolving credit facility, together with the net proceeds from this offering, will be sufficient to meet our cash requirements for the foreseeable future. However, we may require additional debt or equity financing depending upon our ability to finance future acquisitions or exploration, exploitation and development activity.

Credit facility. We have a revolving, secured credit facility with a borrowing base as of December 31, 2003 of $230 million. Our borrowing base is subject to redetermination on March 1 and September 1 of each year. At December 31, 2003, we had outstanding borrowings of $67.0 million under our credit facility. As of March 31, 2004, we had outstanding borrowings of $19.3 million under the credit facility and had $5.0 million of letters of credit outstanding, with $205.7 million of undrawn capacity. If the borrowing base is determined to be lower than the then outstanding amount of loans and letters of credit outstanding, we must pay the difference in three monthly installments or provide additional collateral satisfactory to the lenders. The credit facility expires on January 2, 2006, when the entire amount outstanding is due. We intend to seek an extension of the maturity of our credit agreement for three additional years. Interest accrues either (1) at the higher of the Prime Rate or the Federal Funds Rate plus 0.50% plus a margin which varies from 0.0% to 0.75% depending upon the ratio of the amounts outstanding to the borrowing base or (2) to the extent any loan outstanding is designated as a Eurodollar loan, at the London Interbank Offered Rate, plus a margin that varies from 1.5% to 2.25%, depending upon the ratio of the amounts outstanding to the borrowing base. At March 31, 2004, all amounts outstanding under the credit agreement bore interest at an effective interest rate of 2.59% and the entire amount outstanding constituted a Eurodollar loan. The credit agreement has covenants that restrict the payment of cash dividends, borrowings, sales of assets, loans to others, investments, merger activity, hedging contracts, liens and certain other transactions without the prior consent of the lenders and requires us to maintain a ratio of current assets to current liabilities of one to one and a ratio of EBITDA to interest expense of five to one, as well as a minimum tangible

net worth. We were in compliance with our covenants under the credit agreement as of December 31, 2003. The credit agreement is secured by a first lien on a substantial portion of our oil and natural gas assets.

Capital expenditures. Capital expenditures during 2003 totaled $203.4 million and included $119.6 million in exploratory and exploitation drilling. We also spent $75.3 million in 2003 on acquisitions (net of divestitures), $6.4 million for leasehold and seismic cost, and $2.1 million on furniture, fixtures and equipment. These investments were financed by net cash flow provided by operating activities and from borrowings under our bank credit facility.

During 2004, our planned capital expenditures are approximately $200 million including: $108 million for the drilling of 25 exploration wells and seven development wells; $50 million for completion and facility cost and for currently unidentified drilling opportunities; and $42 million for other projects. Through March 31, 2004, we have spent approximately $32 million (net to our interest) to drill eight exploration wells, four of which were successful, and one successful development well. Of these four successful exploration wells, three are in deepwater. We operate three of the four successful wells. We expect to spend $57 million (net to our interest) to drill the remaining 17 exploration wells, approximately one-third of which will be in the deepwater or the deep shelf.

We do not budget acquisitions; however, we are currently evaluating opportunities that fit our specific acquisition profile. Any or a combination of certain of these possible transactions could fully utilize our existing sources of capital. We have no current plans to access the public markets for purposes of raising capital except through this offering. If a suitable acquisition opportunity arises, however, we would consider issuing shares of our stock or debt securities or drawing on our bank credit facility to fund the acquisition.

Based on our outlook of commodity prices and our estimated production, we expect to finance our 2004 capital program, excluding acquisitions, with cash from operations and the net proceeds from this offering. To the extent that 2004 cash from operations exceeds our estimated 2004 capital expenditures, we expect to increase our drilling budget for exploration, exploitation and development activities if we are able to identify sufficient opportunities that meet our specific exploration, exploitation or development profile. If we are unable to identify sufficient opportunities, we may use excess funds to repay debt, if any, and/or in part for the payment of a distribution as set forth in "Dividend Policy" on page 22. If the future cash from operations and the net proceeds from this offering are not sufficient to fund our exploration, exploitation and development capital expenditures, we may reduce the discretionary portion of our planned expenditures, draw on our bank credit facility, enter into development agreements with industry partners or issue additional equity or debt securities.

Contractual Obligations. The following table summarizes our obligations and commitments as of December 31, 2003 to make future payments under certain contracts, aggregated by category of contractual obligation, for specified time periods:

	Payments Due By Period				
	(dollars in millions)				
	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual Obligations:					
Long term debt	$ 67.0	$ 0.0	$ 67.0	$ 0.0	$ 0.0
Operating leases	4.4	0.8	1.8	1.8	0.0
Purchase obligations	3.5	1.2	1.5	0.8	0.0
Other long-term liabilities and letters of credit	5.0	5.0	0.0	0.0	0.0
Total	$ 79.9	$ 7.0	$ 70.3	$ 2.6	$ 0.0

Inflation and Seasonality

Inflation. Historically, general inflationary trends have not had a material effect on our operating revenues or expenses.

Seasonality. Our operating revenues and expenses are generally not affected by seasonal changes. In years prior to 2003, we experienced some seasonal decline in prices, usually in autumn, when natural gas storage facilities near fill capacity. These seasonal declines in prices are usually temporary, and we did not experience a noticeable decline in price for this reason in 2003. Our operations are affected by seasonal changes in weather. Periodic storms in the Gulf of Mexico, particularly in the winter months, sometimes impede our ability to safely load, unload and transport personnel and equipment, although weather conditions infrequently have a direct impact on the rate of oil and natural gas production. Accordingly, although our results of operations are not generally subject to seasonal fluctuations, we are generally not able to install production platforms in the winter months; thus, we are not able to realize revenues from those platforms until we are able to install them.

Quantitative and Qualitative Disclosures about Market Risk

Commodity price risk. Our revenues, profitability and future rate of growth substantially depend upon market prices of oil and natural gas, which fluctuate widely. Oil and natural gas price decline and volatility could adversely affect our revenues, net cash flow provided by operating activities and profitability. For example, assuming a 10% decline in realized oil and natural gas prices, our 2003 diluted net income before taxes would have declined by approximately 25%. If the cost of operating our properties, including lease operating and major maintenance expenses had increased by 10% in 2003, our net income per share before taxes would have declined by approximately 4%.

Interest rate risk. Interest rate risk is assessed by calculating the change in interest expense that would result from a hypothetical 100 basis point change in the interest rate on the $67 million outstanding under our credit facility at December 31, 2003. Interest rate changes will impact future results of operations and cash flows. At December 31, 2003, the interest rate on the entire $67 million outstanding principal balance under our credit facility was fixed at 2.64% through January 25, 2004 and was subject to interest rate changes thereafter. Assuming constant debt levels, a 100 basis point increase in interest rates would increase net cash used in financing activities by approximately $0.6 million.

Hedging. We have not entered into a hedging transaction since approximately 1996. We may consider a hedge on a portion of our future oil or natural gas production in the future. Our revolving credit agreement permits, but does not require, hedging transactions on terms that we consider to be favorable. If we make a significant acquisition of oil and natural gas properties, then we may consider hedging if it enhances our ability to finance the acquisition or if we determine that it is necessary to meet our financial objectives.

Off-Balance Sheet Arrangements

We have outstanding letters of credit in the face amount of $5 million that we have posted to secure a portion of our areawide operators' bonding obligations with the MMS, from which no operator is exempt. We also have an obligation with respect to a pipeline at Mississippi Canyon 718 that totaled approximately $3.2 million at March 31, 2004. The obligation extends until March 2009, and requires minimum monthly payments that decline from an average of approximately $100,000 per month in 2004 to approximately $19,000 per month in 2009, net to our interest.

Critical Accounting Policies

This discussion of financial condition and results of operations is based upon the information reported in our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. In many cases, the accounting treatments of particular transactions are specifically required by GAAP. The preparation of our financial statements requires us to make assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of

contingent assets and liabilities at the date of our financial statements. We base our assumptions and estimates on historical experience and other sources that we believe to be reasonable at the time. Actual results may vary from our estimates. Our significant accounting policies are detailed in Note 1 to our consolidated financial statements. We have outlined below certain of these policies as being of particular importance to the portrayal of our financial position and results of operations and which require the application of significant judgment or estimates by our management.

Revenue recognition. Oil and gas revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if the collection of the revenue is probable. The Company uses the sales method of accounting for its oil and gas revenues and not entitlements; therefore, no accruals are made for imbalances between production and allocated sales. Historically these differences have not been material. Under this method of accounting, revenue is recorded based upon the Company's physical deliveries to its customers, which can be different from the Company's net working ownership interest in field production. These differences create imbalances that are recognized as a liability only when the estimated remaining reserves will not be sufficient to enable the under-produced party to recoup its entitled share through production. As of December 31, 2002 and 2003, deliveries of natural gas in excess of the Company's working interest and under-deliveries were not significant.

Full-cost accounting. We account for our investments in oil and natural gas properties using the full-cost method of accounting. Under this method, virtually all acquisition, exploration, development and estimated abandonment cost incurred for the purpose of acquiring or finding oil and natural gas are capitalized. Under the full-cost method, however, we are permitted to charge to expense certain employee cost and general and administrative cost related to these activities and, in particular, most of our geological and geophysical cost. Total capitalized geological and geophysical costs on our balance sheet were approximately $16 million at December 31, 2003; during 2003, we expensed approximately $1.9 million in geological and geophysical administrative cost. Under the full-cost method, sales of oil and natural gas properties are accounted for as adjustments to the net full-cost pool with no gain or loss recognized, unless an adjustment would significantly alter the relationship between capitalized cost and the value of proved reserves. We amortize our investment in oil and natural gas properties through depreciation, depletion and amortization, or DD&A, using the units of production method.

Our financial position and results of operations could have been significantly different had we used the successful-efforts method of accounting for our oil and natural gas investments. GAAP allows successful-efforts accounting as an alternative method to full-cost accounting. The primary difference between the two methods is in the treatment of exploration cost and in the resulting computation of DD&A. Under the full-cost method, which we follow, some exploratory costs are capitalized, while under successful-efforts, the cost associated with unsuccessful exploration activities and all geological and geophysical costs are expensed. In following the full-cost method, we calculate DD&A based on a single pool for all of our oil and natural gas properties, while the successful-efforts method utilizes cost centers represented by individual properties, fields or reserves. Typically, the application of the full-cost method of accounting for oil and natural gas properties results in higher capitalized cost and higher DD&A rates, compared to similar companies applying the successful efforts method of accounting.

Oil and natural gas reserve quantities. Reserve quantities and the related estimates of future net cash flows affect our periodic calculations of depletion and impairment of our oil and natural gas properties. Proved oil and natural gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future periods from known reservoirs under existing economic and operating conditions. Reserve quantities and future cash flows included in this prospectus are prepared in accordance with guidelines established by the SEC and the Financial Accounting Standards Board. The accuracy of our reserve estimates is a function of:

- the quality and quantity of available data and the engineering and geological interpretation of that data;
- our estimates regarding the amount and timing of future operating cost, severance taxes, development cost and workover cost, all of which may in fact vary considerably from actual results;

- the accuracy of various mandated economic assumptions (such as the future prices of oil and natural gas); and
- the judgments of the persons preparing the estimates.

Our proved reserve information as of December 31, 2003 included in this prospectus is based on estimates prepared by Netherland, Sewell and Associates, Inc., independent petroleum consultants. Because these estimates depend on many assumptions, any or all of which may differ substantially from actual results, reserve estimates may be different from the quantities of oil and natural gas that are ultimately recovered. We make changes to depletion rates and impairment calculations in the same period that changes to the reserve estimates are made. We do not include plug and abandonment expenses in our calculation of PV-10 reserve estimates.

Impairment of oil and natural gas properties. Under the full-cost method of accounting, we are required periodically to compare the present value of estimated future net cash flows from our proved reserves (based on period-end commodity prices and excluding abandonment liabilities), net of tax, to the net capitalized cost of proved oil and natural gas properties, including estimated capitalized net abandonment cost, net of deferred taxes. This comparison is referred to as the full-cost "ceiling test." If the net capitalized cost of oil and natural gas properties in place exceed the estimated discounted future net cash flows from proved reserves, we are required to write down the value of our oil and natural gas properties to the value of the discounted net cash flows, and recognize a charge to income through an increase in DD&A. Any such write-downs are not recoverable or reversible in future periods.

Asset retirement obligations. We have significant obligations to remove our equipment and restore land or seabed at the end of oil and natural gas production operations. These obligations are primarily associated with plugging and abandoning wells and removing and disposing of offshore oil and natural gas platforms. Estimating the future restoration and removal cost is difficult and requires us to make estimates and judgments because most of the removal obligations are many years in the future and contracts and regulations often have vague descriptions of what constitutes removal. Asset removal technologies and cost are constantly changing, as are regulatory, political, environmental, safety and public relations considerations. Prior to 2003, under the full-cost method of accounting, the estimated undiscounted cost of our abandonment obligations, net of the value of salvage, were included as a component of our depletion base and expensed over the production life of the oil and natural gas properties. With the implementation of SFAS No. 143, "Accounting for Asset Retirement Obligations," we are now required to record a separate liability for the discounted present value of our asset retirement obligations, with an offsetting increase to the related oil and natural gas properties on our balance sheet. Upon adoption of SFAS No. 143 at January 1, 2003, we recorded an increase in net property and equipment of $95.0 million, recognition of an initial asset retirement obligation of $101.7 million and a cumulative effect of adoption that increased net income and shareholders' equity by $0.1 million, net of income tax.

Inherent in the present value calculation are numerous assumptions and judgments, including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the present value of our existing abandonment liability, we will make corresponding adjustments to our oil and natural gas property balance. In addition, increases in the discounted abandonment liability resulting from the passage of time will be reflected as accretion expense in our consolidated statement of income.

SFAS No. 143 requires a cumulative adjustment to reflect the impact of implementing the statement had the rule been in effect since inception. Therefore, in 2003 we calculated the cumulative accretion expense on our abandonment liability and the cumulative depletion expense on our corresponding property balance. We compared the sum of these cumulative expenses to the depletion expense we originally recorded. Because the historically recorded depletion expense was higher than the cumulative expense calculated under SFAS No. 143, the difference resulted in a small gain that we recorded as a cumulative effect of change in accounting principle on January 1, 2003.

Income Taxes. We provide for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the use of the liability method of computing deferred income taxes, whereby deferred income taxes are recognized for the future tax consequences of the differences between the tax basis of assets and liabilities and the carrying amount in our financial statements required by GAAP. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Because our tax returns are filed after the financial statements are prepared, estimates are required in valuing tax assets and liabilities. We record adjustments to reflect the actual tax amounts paid in the period we file our tax returns.

Stock-based compensation. In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." The standard encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. We have elected to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock issued is measured as the excess, if any, of the fair value of our common stock at the date of the grant over the amount an employee must pay to acquire the common stock.

New Accounting Policies & Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143 "Accounting for Asset Retirement Obligations." effective for fiscal years beginning after June 15, 2002. We adopted this statement, effective January 1, 2003. The statement requires us to record our estimate of the fair value of liabilities related to future asset retirement obligations in the period the obligation is incurred. When the liability is initially recorded, we must capitalize the cost by increasing the carrying amount of the related properties and equipment. Over time, the liability is increased for the change in its present value each period, and the initial capitalized cost is depreciated over the useful life of the related asset. Application of this principle resulted in an initial increase in net property, plant and equipment of $95.0 million, recognition of an initial asset retirement obligation of $101.7 million and a cumulative effect of adoption that increased net income and shareholder's equity by $0.1 million, net of income tax. As required by SFAS No. 143, our estimate of our asset retirement obligation does not give consideration to the value the related assets could have to any third parties.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair-value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," to require more prominent and frequent disclosures in financial statements about the effect of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002, while the interim disclosure provisions are effective for periods beginning after December 15, 2002. We continue to apply Accounting Principles Board Opinion No. 25 as it relates to our accounting for stock-based compensation.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and is also an amendment of that statement. This statement also rescinds SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers" and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This statement amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This statement also amends other existing authoritative pronouncements to make various technical corrections, clarifying meanings or describe their applicability under changed conditions. The provisions of this statement are to be applied in fiscal years beginning after May 15, 2002. The adoption of this statement had no impact on our financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Cost Associated with Exit or Disposal Activities." This statement addresses financial accounting and reporting for cost associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Cost to Exit an Activity (including Certain Cost Incurred in a Restructuring)." The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of this Statement had no impact on our financial statements.

FASB Interpretation No. 45, or FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," was issued in November 2002 by the FASB. FIN 45 requires a guarantor to recognize a liability for the fair value of the obligation it assumes under certain guarantees. Additionally, FIN 45 requires a guarantor to disclose certain aspects of each guarantee or each group of similar guarantees, including the nature of the guarantee, the maximum exposure under the guarantee, the current carrying amount of any liability for the guarantee and any recourse provisions allowing the guarantor to recover from third parties any amounts paid under the guarantee. The disclosure provisions of FIN 45 are effective for financial statements for both interim and annual periods ending after December 15, 2002. The fair value measurement provisions of FIN 45 are to be applied on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of this statement did not have a material impact on our financial statements.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin 51" or FIN 46. FIN 46 addresses consolidation by business enterprises of variable interest entities. The primary objective of FIN 46 is to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable interest entities. The provisions of FIN 46 apply immediately to variable interest entities created after January 31, 2003. In December 2003, the FASB issued a revision to FIN 46, which, among other things, deferred the effective date for certain variable interest created prior to January 31, 2003. The Company adopted FIN 46, as revised, as of December 31, 2003, which had no impact on the financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," to amend and clarify financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The changes in this statement require that contracts with comparable characteristics be accounted for similarly to achieve more consistent reporting of contracts as either derivative or hybrid instruments. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and will be applied prospectively. As we do not currently hedge our production, this statement had no impact on our financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," to classify certain financial instruments as liabilities in statements of financial position. The financial instruments covered by SFAS No. 150 are mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets, put options and forward purchase contracts, instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets and obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index or varies inversely with the value of the issuers' shares. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We adopted the statement during 2003. The statement had no impact on our classification of our Series A preferred stock.

For a more complete discussion of our accounting policies and procedures, see our Notes to consolidated financial statements beginning on page F-7.

BUSINESS AND PROPERTIES

About W&T Offshore, Inc.

We are an independent oil and natural gas acquisition, exploitation and exploration company. Our goal is to generate a high return on equity through profitably increasing production and reserves. We are focused primarily in the Gulf of Mexico area, where we have developed significant technical expertise and where the high production rates associated with hydrocarbon deposits have historically provided us the best opportunity to achieve a rapid payback on our invested capital. We believe this focus and our historic success provide a solid foundation for higher impact capital projects in the Gulf of Mexico, including the deepwater (water depths in excess of 500 feet) and the deep shelf (well depths in excess of 15,000 feet).

Based on a reserve report prepared by Netherland, Sewell & Associates, Inc., our independent petroleum consultants, our proved reserves at December 31, 2003 were 444.7 Bcfe, with a pre-tax PV-10 of $1.2 billion (excluding plug and abandonment cost). Of those, 66% were proved developed reserves and 52% were natural gas reserves.

Since our inception in 1983 with an initial equity capitalization of $12,000, we have significantly grown our reserves, production and cash flow through a combination of acquisition, exploitation and exploration activities. Shareholders' equity increased $158.7 million, or 384%, solely from net income (after distributions) during the five-year period ended December 31, 2003. As of March 31, 2004, we had $19.3 million in outstanding debt.

We have increased shareholder value through:

- *Growth in net income and EBITDA*—In the five years ended December 31, 2003, our annual net income increased from $14.0 million to $116.6 million, with aggregate net income over this period of $244.4 million. During the same period, our net income plus income tax, net interest, depreciation, depletion, amortization and accretion, or EBITDA, increased from $42.8 million to $323.7 million, with aggregate EBITDA over this period of $728.8 million.
- *Significant production growth*—Our net average daily production more than tripled from approximately 58 MMcfe per day in 1999 to approximately 216 MMcfe per day in 2003, representing a compounded annual growth rate of approximately 39%. Our net production during March 2004 averaged approximately 235 MMcfe per day.
- *Significant reserve growth*—In the five years ended December 31, 2003, our proved reserves increased from 77.9 Bcfe to 444.7 Bcfe, representing a compounded annual growth rate of approximately 40%.
- *Low finding and development cost*—Our average finding and development cost, which includes acquisitions, exploitation and exploration cost, for the three years ended December 31, 2003 was $1.05 per Mcfe.

Acquisitions, Exploitation and Exploration

Acquisitions and Exploitation. We have a history of acquiring proved reserves at attractive prices. During the five-year period ended December 31, 2003, we completed five significant acquisitions for a total purchase price of approximately $176.3 million, which added an aggregate of approximately 343.2 Bcfe to our net proved reserves. We have focused on acquiring properties where we can develop an inventory of drilling prospects that enable us to continue to add reserves post-acquisition.

Subsequent to the completion of these five acquisitions, we deployed resources to realize the value of the proved developed reserves, to exploit the proved undeveloped reserves and to explore for upside potential by drilling for unproven reserves. From the time of acquisition of these properties through December 31, 2003, we invested an additional $223.0 million in exploitation, exploration and the exercise of preferential rights of purchase. Through these activities, we added an incremental 187.0 Bcfe of proved reserves, including reserve revisions, while producing 156.8 Bcfe from these properties.

As of December 31, 2003, the remaining proved reserves for these acquired properties totaled 373.4 Bcfe, with a PV-10 of $1,068 million. A portion of the increase in value subsequent to these acquisitions has come through additional drilling. As a result, through December 31, 2003, we have achieved a compounded annual return of greater than 80% on the capital we have deployed on the acquired properties including the effect of changes in commodity prices, with significant reserves remaining to be produced.

Exploration. We have the right to explore for and develop oil and natural gas reserves on approximately 960,000 gross acres in the Gulf of Mexico. We believe that our large acreage position and significant discretionary cash flow provide a strong base to conduct our exploration activities. During the three-year period ended December 31, 2003, we drilled 38 exploratory wells, of which 34 were successful (which we define as completed or planned for completion). During this period, we spent $157.4 million on exploration activities and added 110.1 Bcfe of proved reserves through our exploration activities.

During 2004, our planned capital expenditures are approximately $200 million including: $108 million for the drilling of 25 exploration wells and seven development wells; $50 million for completion and facility cost and for currently unidentified drilling opportunities; and $42 million for other projects. Through March 31, 2004, we have spent approximately $32 million (net to our interest) to drill eight exploration wells, four of which were successful, and one successful development well. Of these four successful exploration wells (three of which we operate), three are in deepwater. We expect to spend $57 million (net to our interest) to drill the remaining 17 exploration wells, approximately one-third of which will be in the deepwater or the deep shelf.

We currently have 50 identified exploration prospects in addition to the 25 discussed above, all of which are supported by 3-D seismic data and are in various stages of evaluation. The majority of these are single well prospects, with seven located in the deepwater, five targeted for the deep shelf, 31 located on other parts of the outer continental shelf ("OCS") and seven located onshore. Depending upon the outcome of the exploration wells drilled in 2004 and further geologic, engineering and economic evaluations, the 50 additional wells are expected to be drilled in 2005 and beyond.

We have become more active in bidding for Gulf of Mexico leases on the OCS at lease sales conducted by the U.S. government through the Minerals Management Service ("MMS"). At the March 2004 OCS lease sale, we were the high bidder on eight of nine bids submitted for OCS blocks located in the central Gulf of Mexico. These OCS blocks were bid at 100% working interest. The bids are subject to a review process by the MMS before any leases are awarded. As of March 31, 2004, the MMS had awarded to us two of these leases, including one in the deepwater. Two of the six additional leases are in the deepwater. Assuming the remaining leases are awarded to us, we will be the operator on approximately 30,000 additional acres.

Business Strategy

Our goal is to generate a high return on equity through profitably increasing production and reserves. We will seek to achieve this goal by acquiring and exploiting reserves at an attractive cost, by producing our reserves at the highest and most economic rates and by exploring for reserves on our extensive acreage holdings. We expect to continue to focus on acquiring properties that provide for a rapid return of our initial investment. We believe there are significant opportunities for us to expand our exploration activities, particularly in the deepwater and the deep shelf.

Continued acquisition and exploitation focus in the Gulf of Mexico. We plan to continue to acquire and exploit reserves on the OCS of the Gulf of Mexico, the area of our historical success, or in other areas outside of the Gulf of Mexico that are compatible with our technical expertise and could yield rates of return comparable to those we have historically achieved. We believe attractive acquisition opportunities will continue to arise in the Gulf of Mexico as the major integrated oil companies and other large independent oil and gas exploration and production companies continue to divest properties to focus on larger and more capital-intensive projects that better match their long-term strategic goals.

Deepwater acquisitions and drilling. During recent years, we have gradually extended our acquisition and drilling activities into the deeper waters of the Gulf of Mexico. We believe this is a natural extension of our historical activity and experience in the shallow water of the Gulf of Mexico. In 2000, we acquired our first deepwater interest. As of March 31, 2004, we have drilled seven wells in the deepwater, five of which have been successful. Our deepwater projects have been in water depths up to 4,200 feet and located in areas where we can drill from existing infrastructure or where we are able to connect our subsea wells to existing infrastructure. We believe our opportunities for deepwater exploration have been enhanced by technological advances in recent years that enable the connection of subsea wells to existing infrastructure over longer distances, eliminating the requirement for new, dedicated production facilities, the installation of which require long lead times and large capital investments. We also believe asset divestitures and resource constraints of major integrated oil companies and other large upstream companies may allow us to acquire attractive deepwater prospects at favorable prices with a significant portion of the up-front development expenses, such as infrastructure and seismic, already invested.

Deep shelf exploration. We believe a significant portion of our acreage has exploration potential below currently producing zones, including deep shelf reserves. We consider deep shelf targets to be hydrocarbon-bearing horizons located in shallow water areas of the Gulf of Mexico at subsurface depths greater than 15,000 feet. The MMS estimates there could be up to 55 trillion cubic feet of natural gas recoverable from the deep shelf in the U.S. Gulf of Mexico. Although the cost to drill deep shelf wells can be significantly higher than shallower wells, the reserve targets are typically larger and the use of existing infrastructure and recent royalty suspension incentives from the MMS should partially offset higher drilling cost.

Competitive Strengths

We believe we are well positioned to execute our business strategy because of the following competitive strengths:

Substantial acreage position. Approximately 84% of our 960,000 gross acres in the Gulf of Mexico is “held-by-production.” Our held-by-production acreage has significant existing infrastructure, which reduces development lead times and cost. This infrastructure frequently allows for relatively quick tie back of production from deep shelf discoveries. Acreage held-by-production is attractive because it permits us to maintain all of our exploration, exploitation and development rights (including deep rights below currently producing zones) in the leased area as long as production continues.

We have the right to propose future exploration and development projects, including deep shelf exploration projects, on approximately 80% of our acreage. During the three-year period ended December 31, 2003, we drilled 55 exploitation and exploration wells on our held-by-production acreage, of which 49 were successful. Our contracts with seismic providers give us access to data on a total of approximately 40.0 million acres including substantially all the acreage we hold. We have access to the data at a reduced cost but do not incur any expense until the data is requested. Our acreage position will continue to be the primary source of our near to medium term exploitation and exploration activities.

Proven acquisition strategy. Our method of identifying and evaluating acquisitions has translated into a high rate of return on acquisitions. Our acquisition strategy involves:

- targeting under-exploited assets;
- identifying additional sources of value through the application of technical resources; and
- acquiring proven reserves at an attractive rate of return along with significant upside potential from exploration opportunities.

Strong operational capabilities. We have operated offshore and onshore properties for 20 years, and we have gained valuable experience in all aspects of drilling and production in the shallow and deep water of the Gulf of Mexico. We own working interests in approximately 110 offshore fields in the Gulf of Mexico, and we

operate the wells accounting for approximately 52% of our daily production and 43% of our total PV-10 value. On two separate occasions, we received recognition for our exceptional operations record from the MMS, the regulatory agency that has primary jurisdiction over our operations. As a result of our operating capabilities and financial strength, the MMS also has historically exempted us from supplemental bonding requirements in the Gulf of Mexico.

Committed, experienced management. We have assembled a senior management team with considerable technical expertise and industry experience. Our founders, Tracy W. Krohn, Chairman, Chief Executive Officer, President and Treasurer, and Jerome F. Freel, Chairman Emeritus and Corporate Secretary, each have more than twenty years of experience as executive managers of oil and gas companies. Mr. Krohn and Mr. Freel will collectively own more than % of our outstanding capital stock immediately after this offering. This stock ownership represents the majority of their respective financial net worth.

The other members of our management team average more than 20 years of experience in the industry, including an average of approximately 6.5 years with W&T. Most members of the team have previously worked for a major oil company or a large independent producer. These managers will collectively own approximately % of our outstanding common stock immediately after this offering. The board of directors has adopted a long-term incentive compensation plan to provide for additional incentives for continued performance and service to the Company.

Conservative financial approach. We believe our conservative financial approach has contributed to our success and has positioned us to capitalize on new opportunities as they develop. We have typically relied solely on net cash provided by operating activities and traditional commercial bank credit facilities to fund our growth. We have historically limited annual capital spending for exploration, exploitation and development activities to net cash provided by operating activities and typically used our bank credit facility for acquisitions and to balance working capital fluctuations.

In the future, as we further expand our operations into the higher impact deepwater and deep shelf areas of the Gulf of Mexico, our capital spending may exceed net cash provided by operating activities, in which event we may use a portion of the proceeds of this offering to fund such future expenditures.

Proved Reserves

Of our 444.7 Bcfe of proved reserves at December 31, 2003, 66% were proved developed and 52% were natural gas. Our estimates of proved reserves were based on a reserve report prepared by Netherland, Sewell & Associates, Inc., our independent petroleum consultants, and the reserve amounts are consistent with filings we make with federal agencies.

Our proved reserves as of December 31, 2003 are summarized in the table below.

	Oil (MMBbl)	Natural Gas (Bcf)	Total (Bcfe)	% of Total Proved	PV-10 (in thousands)
Proved developed	19.7	177.3	295.6	66.5%	$ 936,191
Proved undeveloped	15.9	53.8	149.1	33.5%	307,312
Total proved	35.6	231.1	444.7	100.0%	$ 1,243,503

Production

We estimate that our average net daily production for March 2004 was 235 MMcfe.

Summary of Oil and Natural Gas Properties and Projects

The majority of our fields are in the Gulf of Mexico. These fields are found in water depths ranging from less than ten feet up to 4,200 feet. The reservoirs in our fields are generally characterized as having high porosity and permeability, which typically result in high production rates. The following table describes our ten largest shelf fields and two deepwater fields as of December 31, 2003. At December 31, 2003, these fields accounted for approximately 64% of our PV-10 value, or $797.3 million, and had proved reserves totaling 282.7 Bcfe.

Field Name	Field Category	Operator	Percent Natural Gas of Net Reserves at 12/31/03	Daily Equivalent Production Rate for March 31, 2004	
				Gross (MMcfe/d)	Net (MMcfe/d)
East Cameron 321	Shelf	Marathon	32%	12.2	7.6
Eugene Island 205	Shelf	W&T	68%	9.1	7.4
Eugene Island 380	Shelf	W&T	35%	25.3	9.9
High Island 111	Shelf	W&T	91%	20.2	10.6
High Island 177	Shelf	W&T	87%	37.5	31.3
High Island A571	Shelf	W&T	76%	8.9	4.3
Mobile 823	Shelf	ExxonMobil	100%	97.5	10.2
Ship Shoal 349	Shelf	Anadarko	17%	18.0	8.8
South Pass 89	Shelf	Marathon	71%	3.9	1.6
West Delta 30	Shelf	ChevronTexaco	9%	9.6	5.1
Garden Banks 139	Deepwater	W&T	100%	11.7	9.7
Mississippi Canyon 718	Deepwater	Mariner	53%	4.5	2.0

East Cameron 321 Field. East Cameron 321 Field is located approximately 97 miles off the coast of Louisiana in 225 feet of water. The field's single OCS block contains two large production platforms. High quality reservoir sands occur in faulted structural traps down to 4,800 and 7,200 feet. From the first drilling to March 31, 2004, there have been 70 exploration and development wells drilled in the field. We acquired a 25% working interest in a transaction with Burlington Resources in 2002. We subsequently acquired 25.0% working interests from Amerada Hess and through a transaction with ConocoPhillips in 2003, resulting in a total working interest of 75.0% (62.5% net revenue interest). We have budgeted one development well and several well recompletions in this field in 2004.

Eugene Island 205 Field. Eugene Island 205 Field is located approximately 55 miles off the coast of Louisiana in 115 feet of water. Eugene Island 205 Field contains an eight block federal unit of about 40,000 acres. We operate all or part of seven blocks and eleven platforms. The acreage and production platforms completely encircle a large piercement salt dome. First production occurred in 1971, and we are currently performing a comprehensive field-wide geologic and reservoir study, including a new 3-D seismic dataset. Drilling for identified oil and natural gas will likely commence in 2005. We acquired our interest in Eugene Island 205 Field through a transaction with Burlington in 2002. Our working interest in the field varies from 65.3% to 100.0% (net revenue interest from 46.6% to 81.3%).

Eugene Island 380 Field. Eugene Island 380 Field is located off the coast of Louisiana approximately 170 miles southwest of New Orleans. The single production platform is in 470 feet of water. The Eugene Island 380 Field contains our operated Eugene Island 397 Unit, which is comprised of Eugene Island Block 397 and Green Canyon Blocks 4 and 48. Eugene Island 397 Unit is located on the southeast flank of a salt ridge with multiple productive sands found from 6,000 to 10,000 feet in depth. Following extensive 3-D seismic analysis, in late 2000 we drilled the field discovery well Eugene Island 397 #1 (A-1). This discovery well was immediately followed up by a successful delineation well in Green Canyon Blocks 4 and 48. We have drilled eight additional successful exploration and development wells during 2002 and 2003 without any dry holes. We are the operator of the Eugene Island 397 Unit with a 50.0% working interest and 39.2% net revenue interest.

High Island 111 Field. High Island 111 Field is located off the coast of Texas approximately 30 miles east of Galveston in 50 feet of water, consisting of two OCS blocks. We have two production platforms in High Island Block 110. This field is a faulted anticline trap with productive sands down to 12,500 feet. We are currently re-processing the 3-D seismic dataset to help us identify additional development and exploration opportunities. Since discovery of the field in 1973, 22 exploration and development wells have been drilled on Blocks 110 and 111. We acquired a 30.9% working interest in the field from Vastar in 1999. Subsequent acquisitions have increased our current working interest to 66.2% in High Island Block 110 and 60.0% in High Island Block 111.

High Island 177 Field. High Island 177 Field is located off the coast of Texas approximately 20 miles southeast of Galveston in 50 feet of water. The field is contained in a 5,000 acre OCS block, but placement of the single production platform is limited by a shipping fairway that covers the southwestern portion of the block. The field was discovered by Atlantic Richfield in 1988. As of March 31, 2004, 11 wells had been drilled to explore and develop high quality reservoir sands between 10,200 feet and 11,400 feet. We acquired a 100.0% working interest (83.3% net revenue interest) from Vastar in 1999. Following the acquisition, we immediately undertook an extensive 3-D seismic re-evaluation of the field's exploration potential. We achieved a 100% success rate on a six-well drilling program during late 2000 and most of 2001. We increased production in the field from approximately 5 MMcf of natural gas per day when we acquired it to nearly 60 MMcf of natural gas per day and 1,100 Bbl of oil per day in 2002. We believe this field may contain deep shelf exploration potential.

High Island A571 Field. High Island A571 Field is located 111 miles off the coast of Texas in approximately 283 feet of water. The field's single OCS block has three production platforms. The field was discovered in 1977 by CNG Producing Company. We accumulated our current 79.2% working interest in the field through a transaction with Burlington Resources in 2002, and by acquiring interests from Dominion in 2003, and most recently, Kerr-McGee in early 2004. We plan to drill one development well in this field in 2004.

Mobile 823 Field. Mobile 823 Field is our only property located off the coast of Alabama. It is a natural gas field comprised of two OCS blocks, Mobile Blocks 822 and 823. The field has one processing platform and three independent structures located off the coast of Mobile Bay in approximately 50 to 65 feet of water. The field is a structural stratigraphic geologic trap in the Norphlet Sandstone at about 21,500 feet. Production commenced in 1991, and the field has produced over 650 Bcf of natural gas from nine productive wells. We acquired our 12.5% working interest in 2003 from ConocoPhillips.

Ship Shoal 349 Field (Mahogany). Ship Shoal 349 Field is our largest oil field and is located off the coast of Louisiana approximately 235 miles southeast of New Orleans in 375 feet of water. The field area covers Ship Shoal Blocks 349 and 359, with a single production platform on Block 349. The field was discovered by Phillips in 1996, but is currently operated by Anadarko. The Ship Shoal 349 field is a sub-salt development with five productive horizons below salt at depths as deep as 17,000 feet. As of March 31, 2004, 20 wells have been drilled, of which 11 wells have been successful. We have identified three additional development drilling locations, one of which we budgeted for the second half of 2004 with another well scheduled to be drilled in 2005. We first acquired a 25.0% working interest in the field from BPAmoco in 1999. In 2003, we acquired an additional 33.8% working interest through a transaction with ConocoPhillips, resulting in our current working interest of 58.8% (49.0% net revenue interest).

South Pass 89 Field. South Pass 89 Field is located off the coast of Louisiana approximately 16 miles from the Mississippi Delta in 350 feet of water. We own a working interest in South Pass Block 86, which has one production platform and five productive wells. South Pass Block 86 covers the northeast quarter of a large piercement salt dome, with thick high quality oil and natural gas sands at depths down to 16,000 feet. Potential additional drilling on the block has been identified. We acquired a 25.0% working interest in South Pass Block 86 through a transaction with Burlington Resources in 2002 and an additional 25.0% working interest from Amerada Hess in 2003.

West Delta 30 Field. West Delta 30 (Block 29) Field is located approximately six miles off the coast of Louisiana in 40 feet of water. West Delta Block 29 straddles the eastern side of a major piercement salt dome

with large accumulations of oil and natural gas sands found in traps along the salt flanks. In 1997, we obtained a farmout agreement with ChevronTexaco to further explore and develop potential reserves. Following a thorough 3-D seismic analysis, we have drilled a total of 16 exploration and development wells with only one resulting in a dry hole. At least one additional development well and several recompletions are budgeted for 2005. Our gross working interests currently range from 50% to 75% before payout and 37.5% to 65.0% after payout.

Garden Banks 139 Field. Garden Banks 139 Field is located approximately 130 miles off the coast of Texas in approximately 550 feet of water. We drilled one well on Garden Banks 139 in late 2002, which we completed as our first operated, subsea well. Production commenced in 2004 and the well is tied back to the High Island Block A389 production platform we operate. Production comes from a shallow (3,800 feet) sand reservoir. We own a 100.0% working interest and 81.3% net revenue interest in the field. Additional exploratory wells are planned in 2005 in adjacent Garden Banks blocks, which may utilize the existing Garden Banks 139 infrastructure if successful.

Mississippi Canyon 718 Field (Pluto). Mississippi Canyon 718 Block is located approximately 45 miles south of the Mississippi River Delta in approximately 2,700 feet of water. The field/unit comprises three OCS Blocks: Mississippi Canyon 674, 717 and 718. The field is produced from a single subsea completion and tied back via a 29 mile pipeline and umbilical to the South Pass 89 “B” platform. We acquired our 49.0% working interest in the field in a transaction with Burlington Resources in 2002. Production comes from a high-quality sand at about 18,000 feet in depth. We shut in the Mississippi Canyon 718 (Block 674) #2ST4 well on March 31, 2004 because of water production. To avoid losing this lease, we must begin operations to restore production within 180 days from the shut-in date. To re-establish production in the reservoir, we plan to drill an up-dip location in the field/unit to produce proved undeveloped reserves.

Drilling Summary

During 2004, our planned capital expenditures are approximately $200 million including: $108 million for the drilling of 25 exploration wells and seven development wells; $50 million for completion and facility cost and for currently unidentified drilling opportunities; and $42 million for other projects. Through March 31, 2004, we have spent approximately $32 million (net to our interest) to drill eight exploration wells, four of which were successful, and one successful development well. Of these four successful exploration wells (three of which we operate), three are in deepwater. We expect to spend $57 million (net to our interest) to drill the remaining 17 exploration wells, about one-third of which will be in the deepwater or the deep shelf.

We currently have an additional 50 identified exploration prospects, in addition to the 25 discussed above, all of which are supported by 3-D seismic data and are in various stages of evaluation. The majority of these are single well prospects, with seven located in the deepwater, five located on the deep shelf, 31 located on other parts of the OCS and seven located onshore. Depending upon the outcome of the exploration wells drilled in 2004 and further geologic, engineering and economic evaluations, the 50 additional wells are expected to be drilled in 2005 and beyond.

We expect to drill approximately seven gross, 4.4 net, development wells in 2004 at an estimated total cost of $35.0 million net to our interest. Through the first three months of 2004, one well on High Island 111 was a successful development well. In addition to the objective sand, the well encountered three additional unproven reservoirs. As of March 31, 2004, the well was producing approximately 5.5 MMcf per day from two zones.

Among the development wells planned for the balance of 2004 are wells located in the Mississippi Canyon 718 (Block 674) and Ship Shoal 349 Fields. These wells target proved undeveloped reserves of approximately 34 Bcfe at an estimated net cost to us of approximately $30 million. It may be possible to stack additional shallower exploratory objectives in one of the wells.

Exploration Summary

The following information summarizes our recent exploration discoveries as well as our largest budgeted exploration wells for the remainder of 2004. Of our discoveries, we have recorded proved reserves only on Green Canyon Block 646.

Green Canyon Block 646. Green Canyon Block 646 is located approximately 119 miles off the coast of Louisiana in 4,230 feet of water. We operate the Green Canyon 646 #1 discovery well, which we drilled to a total measured depth of 12,365 feet in January 2004. We own a 60% working interest in the discovery. The well encountered approximately 275 feet of high quality oil and natural gas-bearing sands. Because the initial reservoir objectives were logged and tested in late December 2003, we recorded net proved undeveloped reserves of 2.9 Bcf of natural gas and 2.9 MMBbl of oil (20 Bcfe) to this well as of December 31, 2003. We currently intend to produce the well via a subsea production system tied back to existing deepwater production facilities, with first production expected in 2006.

Ewing Bank Block 977. Ewing Bank Block 977 is located approximately 95 miles off the coast of Louisiana in 550 feet of water. We operate the discovery well with a 60% working interest. The well was drilled to a total measured depth of 8,150 feet in January 2004 and encountered 73 feet of high quality natural gas bearing sand. We anticipate that a proposed single well subsea completion will be tied back to our operated Eugene Island 371 Field, with initial production anticipated by year-end 2004.

South Timbalier 229 Field. South Timbalier 229 Field is located approximately 49 miles off the coast of Louisiana in 230 feet of water. We operate the A-4 discovery well with a 100% working interest. We drilled the well from one of our existing production platforms to a total measured depth of 10,925 feet in March 2004. The well penetrated 182 feet of high quality net true vertical thickness oil sand. The well is on production although at a restricted rate due to facility capacity. We expect unrestricted production from the well in the first quarter of 2005. We are currently evaluating additional development and offsetting exploration wells.

Main Pass 69 #5 Exploration Prospect. We are currently drilling an exploration well on Main Pass Block 69. We operate the well with a 98% working interest, and we estimate that $15.6 million will be required to drill and evaluate the prospect down to a depth of 19,000 feet. The well is designed to test Miocene-age sands structurally high to well control with oil and natural gas shows. Should the well prove successful, it could have a material positive impact on the Company; however, a dry hole would not have a material adverse effect.

Other Recent Discoveries. We have also had two other discoveries that are under evaluation and which are described as follows:

- A discovery well and subsequent delineation sidetrack were drilled in the Gulf of Mexico to a total measured depth greater than 12,000 feet during the first quarter of 2004. We own a 45% working interest in the well. The first discovery well and the delineation sidetrack encountered in excess of 95 feet of true vertical thickness oil sand. We have budgeted an additional exploration well in 2004 to drill higher on structure, with possible development wells in 2005 contingent on exploration success.
- We have drilled a successful well in South Texas. We have a non-operated 25% working interest, and we have spent approximately $4.3 million (gross) to drill and evaluate the prospect to 15,900 feet. The well was designed to test the deep Wilcox formation.

The remaining 14 exploration wells we planned to drill in 2004, plus the three exploration wells that have been added since the beginning of the year, are estimated to cost approximately $57 million net to our interest. We will operate 11 of the 17 wells. Each of these prospects has been extensively analyzed utilizing 3-D seismic technology and is technically ready to be drilled or currently being drilled. Although we expect to drill each of these prospects this year, there can be no assurance that they will be drilled at all or within the expected time frame. Since the beginning of 2004, we have identified one additional development well which we also intend to drill before the end of the year.

The following table describes our largest remaining exploratory wells to be drilled in 2004:

Block	Working Interest (%)	Estimated Gross Cost ($ in millions)	Estimated Net Cost ($ in millions)	Water Depth (feet)	Expected Timing
Deepwater:					
Green Canyon 178 #1	80	$ 6.9	$ 5.5	1,425	2nd Quarter 2004
Garden Banks 193 #1	100	4.5	4.5	680	3rd Quarter 2004
Exploration Prospect	45	9.0	4.0	—	3rd Quarter 2004
Deep Shelf:					
Main Pass 69 # 5	98	15.3	15.0	35	2nd Quarter 2004
Conventional Shelf:					
South Timbalier 229 A-5	100	4.0	4.0	217	2nd Quarter 2004
Vermilion 84 B-3	56	5.8	3.3	50	3rd Quarter 2004
Vermilion 115 A-5	80	3.2	2.6	45	4th Quarter 2004
Venice BLD 212	50	5.0	2.5	5	3rd Quarter 2004
South Timbalier 185 A-8	45	4.2	1.9	180	2nd Quarter 2004
South Timbalier 185 A-2ST	45	3.7	1.7	180	2nd Quarter 2004
Total		$ 61.6	$ 45.0		

Furthermore, we have identified 50 additional exploration prospects, all of which are supported by 3-D seismic data, which may be drilled in 2005 or beyond.

Acreage

The following table summarizes gross and net developed and undeveloped acreage at March 31, 2004. Net acreage is our percentage ownership of gross acreage. Deepwater refers to acreage in over 500 feet of water.

	Developed Acreage		Undeveloped Acreage		Total Acreage	
	Gross	Net	Gross	Net	Gross	Net
Shelf	735,550	361,635	108,721	58,203	844,271	419,838
Deepwater	72,966	33,956	43,200	33,264	116,166	67,220
Total	808,516	395,591	151,921	91,467	960,437	487,058

Approximately 80% of our total gross acreage is held-by-production, which permits us to maintain all of our exploration, exploitation and development rights (including deep rights below currently producing zones) to the leased area as long as production continues. We have the right to propose future exploration and development projects, including deep exploration projects, on approximately the same amount of our acreage as is held-by-production.

Production History

The following table presents the historical information about our produced oil and natural gas volumes.

	Year Ended December 31,		
	2001	2002	2003
Net sales			
Natural gas (Bcf)	28.4	39.4	52.8
Oil (MMBbls)	2.3	2.5	4.4
Total (Bcfe)	42.3	54.2	79.0

Productive Wells

The following table presents our ownership at December 31, 2003 of our productive oil and natural gas wells in the Gulf of Mexico. A net well is our percentage ownership of a gross well.

	Oil Wells		Natural Gas Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
Operated	41.0	27.5	73.0	50.5	114.0	78.0
Non-operated	128.0	45.0	133.0	30.6	261.0	75.6
Total	169.0	72.5	206.0	81.1	375.0	153.6

Drilling Activity

Development and Exploration Drilling

The following table sets forth the results of our total drilling activities for the last three years.

	Year Ended December 31,		
	2001	2002	2003
Gross:			
Productive	24	9	16
Non productive	1	2	3
Total	25	11	19
Net:			
Productive	12.5	4.0	6.6
Non productive	0.3	1.1	0.9
Total	12.8	5.1	7.5

Exploration Drilling

The following table sets forth information relating to our exploration drilling over the past three fiscal years.

	Year Ended December 31,		
	2001	2002	2003
Gross:			
Productive	18	6	10
Non productive	—	2	2
Total	18	8	12
Net:			
Productive	10.9	2.9	4.2
Non productive	—	1.1	0.7
Total	10.9	4.0	4.9

Current Drilling Activity

We were in the process of drilling 4 gross (2.7 net) exploration wells as of March 31, 2004.

Oil and Natural Gas Marketing and Delivery Commitments

We sell our oil and natural gas through various marketing companies. We are not dependent upon, or confined to, any one purchaser or small group of purchasers. However, we currently sell over 10% of our production to each of the following companies: BP Amoco Energy Co.; Cinergy Marketing and Trading LP; ConocoPhillips; Sequent Energy Management LP; and Shell Trading US Co. Due to the nature of oil and natural gas markets and because oil and natural gas are commodities and there are numerous purchasers in the Gulf of Mexico, we do not believe the loss of a single purchaser, or a few purchasers, would materially affect our ability to sell our production.

Legal Proceedings

From time to time, we are party to litigation or other legal and administrative proceedings that we consider to be a part of the ordinary course of our business. Currently, we are not involved in any legal proceedings nor are we party to any pending or threatened claims that could, individually or in the aggregate, reasonably be expected to have a material adverse effect on our financial condition, cash flow or results of operations.

We are the defendant in an administrative proceeding that the U.S. Environmental Protection Agency will file in EPA Region 6 under docket No. CWA-06-2004-1993. The EPA is alleging that we violated the Clean Water Act and certain permits we have been granted under the National Pollutant Discharge Elimination System program by discharging produced waters from a platform that we operate in the Gulf of Mexico and by failing to file all required records.

We have reached a tentative agreement with representatives of the EPA to conclude this proceeding at the time it is filed by entering into a Consent Agreement and Final Order. The Consent Agreement provides for the payment of a $62,500 cash fine and requires us to complete an injection well that will be used over the next five years to reinject all produced water from our platform into a geological formation beneath the ocean floor. We have completed the injection well at a cost of approximately $150,000 and the well is currently operating as planned. We project that use and maintenance of the injection well will cost approximately $50,000 per year during the five-year period.

Employees

As of December 31, 2003, we employed 105 people. We are not a party to any collective bargaining agreements, and we have not experienced any strikes or work stoppages. We consider our relations with our employees to be good.

Competition

The oil and natural gas industry is highly competitive. Our oil and natural gas business competes for the acquisition of oil and natural gas properties, primarily on the basis of the price to be paid for such properties, with numerous entities, including major oil companies, other independent oil and natural gas concerns and individual producers and operators. Many of these competitors are large, well established companies and have financial and other resources substantially greater than ours, which give them an advantage over us in evaluating and obtaining properties and prospects. Our ability to acquire additional oil and natural gas properties and to discover reserves in the future will depend upon our ability to evaluate and select suitable properties and consummate transactions in a highly competitive environment. For a more thorough discussion of how competition could impact our ability to complete successfully our business strategy, see "*Risk Factors—Competition for oil and natural gas properties is intense; some of our competitors have larger financial, technical and personnel resources that give them an advantage in evaluating and obtaining properties and prospects.*"

Regulation

General. Various aspects of our oil and natural gas operations are subject to extensive and continually changing regulation, as legislation affecting the oil and natural gas industry is under constant review for amendment or expansion. Numerous departments and agencies, both federal and state, are authorized by statute to issue, and have issued, rules and regulations binding upon the oil and natural gas industry and its individual members. The Federal Energy Regulatory Commission ("FERC") regulates the transportation and sale for resale of natural gas in interstate commerce pursuant to the Natural Gas Act of 1938 ("NGA") and the Natural Gas Policy Act of 1978 ("NGPA"). In 1989, however, Congress enacted the Natural Gas Wellhead Decontrol Act, which removed all remaining price and nonprice controls affecting wellhead sales of natural gas, effective January 1, 1993. While sales by producers of natural gas and all sales of crude oil, condensate and natural gas liquids can currently be made at uncontrolled market prices, Congress could reenact price controls in the future.

Regulation and transportation of natural gas. Our sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms for access to pipeline transportation are subject to extensive regulation. In recent years, the FERC has undertaken various initiatives to increase competition within the natural gas industry. As a result of initiatives like FERC Order No. 636, issued in April 1992, the interstate natural gas transportation and marketing system has been substantially restructured to remove various barriers and practices that historically limited non-pipeline natural gas sellers, including producers, from effectively competing with interstate pipelines for sales to local distribution companies and large industrial and commercial customers. The most significant provisions of Order No. 636 require that interstate pipelines provide firm and interruptible transportation service on an open access basis that is equal for all natural gas supplies. In many instances, the results of Order No. 636 and related initiatives have been to substantially reduce or eliminate the interstate pipelines' traditional role as wholesalers of natural gas in favor of providing only storage and transportation services.

Similarly, the Texas Railroad Commission has been changing its regulations governing transportation and gathering services provided by intrastate pipelines and gatherers. While the changes by these federal and state regulators affect us only indirectly, they are intended to further enhance competition in natural gas markets. We cannot predict what further action the FERC or state regulators will take on these matters; however, we do not believe that we will be affected by any action taken materially differently than other natural gas producers with which we compete.

The Outer Continental Shelf Lands Act ("OCSLA"), which FERC implements as to transportation and pipeline issues, requires that all pipelines operating on or across the outer continental shelf ("OCS") provide open access, non-discriminatory transportation service. One of FERC's principal goals in carrying out OCSLA's mandate is to increase transparency in the market to provide producers and shippers on the OCS with greater assurance of open access service on pipelines located on the OCS and non-discriminatory rates and conditions of service on such pipelines.

Although the FERC has historically imposed light-handed regulation on offshore facilities that meet its traditional test of gathering status, it has the authority to exercise jurisdiction under the OCSLA over gathering facilities, if necessary, to permit non-discriminatory access to service. In an effort to heighten its oversight of the OCS, the FERC recently attempted to promulgate reporting requirements for all OCS "service providers," including gatherers, but the regulations were struck down as ultra vires by a federal district court, which decision was affirmed by the U.S. Court of Appeals in October 2003. The FERC withdrew it regulations in March 2004. Subsequently, in April 2004, the MMS has initiated an inquiry into whether it should amend its regulations to assure that pipelines provide open and non-discriminatory access over OCS pipeline facilities. For those facilities transporting natural gas across the OCS that are not considered to be gathering facilities, the rates, terms and conditions applicable to this transportation are generally regulated by the FERC under the NGA and NGPA, as well as the OCSLA.

Additional proposals and proceedings that might affect the natural gas industry are pending before Congress, the FERC, state commissions and the courts. The natural gas industry historically has been very heavily regulated; therefore, there is no assurance that the less stringent regulatory approach recently pursued by the FERC and Congress will continue.

Federal leases. A substantial portion of our operations is located on federal oil and natural gas leases, which are administered by the MMS pursuant to the OCSLA. These leases are issued through competitive bidding and contain relatively standardized terms. These leases require compliance with detailed MMS regulations and orders that are subject to interpretation and change by the MMS.

For offshore operations, lessees must obtain MMS approval for exploration, development and production plans prior to the commencement of such operations. In addition to permits required from other agencies such as the Coast Guard, the Army Corps of Engineers and the Environmental Protection Agency, lessees must obtain a permit from the MMS prior to the commencement of drilling. The MMS has promulgated regulations requiring offshore production facilities located on the OCS to meet stringent engineering and construction specifications. The MMS also has regulations restricting the flaring or venting of natural gas, and has proposed to amend such regulations to prohibit the flaring of liquid hydrocarbons and oil without prior authorization. Similarly, the MMS has promulgated other regulations governing the plug and abandonment of wells located offshore and the installation and removal of all production facilities.

To cover the various obligations of lessees on the OCS, the MMS generally requires that lessees have substantial net worth or post bonds or other acceptable assurances that such obligations will be satisfied. The cost of these bonds or assurances can be substantial, and there is no assurance that they can be obtained in all cases. We are currently exempt from supplemental bonding requirements by the MMS. Under some circumstances, the MMS may require any of our operations on federal leases to be suspended or terminated. Any such suspension or termination could materially adversely affect our financial condition and results of operations.

The MMS also administers the collection of royalties under the terms of the OCSLA and the oil and natural gas leases issued thereunder. The amount of royalties due is based upon the terms of the oil and natural gas leases as well as the regulations promulgated by the MMS. The MMS regulations governing the calculation of royalties and the valuation of crude oil produced from federal leases currently rely on arm's-length sales prices and spot market prices as indicators of value. On August 20, 2003, the MMS issued a proposed rule that would change certain components of its valuation procedures for the calculation of royalties owed for crude oil sales. The proposed changes include changing the valuation basis for transactions not at arm's-length from spot to the New York Mercantile Exchange prices adjusted for locality and quality differentials, and clarifying the treatment of transactions under a joint operating agreement. Final comments on the proposed rule were due on November 10, 2003. We cannot predict whether this proposed rule will take effect as written, nor can we predict whether the proposed rule, if it takes effect, will be challenged in federal court and whether it will withstand such a challenge. We believe this rule, as proposed, will not have a material impact on our financial condition, liquidity or results of operations.

Oil and Natural Gas Liquids Transportation Rates. Sales of crude oil, condensate and natural gas liquids by us are not currently regulated and are made at market prices. In a number of instances, however, the ability to transport and sell such products is dependent on pipelines whose rates, terms and conditions of service are subject to FERC jurisdiction under the Interstate Commerce Act. In other instances, the ability to transport and sell such products is dependent on pipelines whose rates, terms and conditions of service are subject to regulation by state regulatory bodies under state statutes.

The regulation of pipelines that transport crude oil, condensate and natural gas liquids is generally more light-handed than the FERC's regulation of natural gas pipelines under the Natural Gas Act. Regulated pipelines that transport crude oil, condensate and natural gas liquids are subject to common carrier obligations that generally ensure non-discriminatory access. With respect to interstate pipeline transportation subject to

regulation of the FERC under the Interstate Commerce Act, rates generally must be cost-based, although market-based rates or negotiated settlement rates are permitted in certain circumstances. Pursuant to FERC Order No. 561, issued in October 1993, the FERC implemented regulations generally grandfathering all previously unchallenged interstate pipeline rates and made these rates subject to an indexing methodology. Under this indexing methodology, pipeline rates are subject to changes in the Producer Price Index for Finished Goods, minus one percent. A pipeline can seek to increase its rates above index levels provided that the pipeline can establish that there is a substantial divergence between the actual costs experienced by the pipeline and the rate resulting from application of the index. A pipeline can seek to charge a market-based rate if it establishes that it lacks significant market power. In addition, a pipeline can establish rates pursuant to settlement if agreed upon by all current shippers. A pipeline can seek to establish initial rates for new services through a cost-of-service proceeding, a market-based rate proceeding, or through an agreement between the pipeline and at least one shipper not affiliated with the pipeline. As provided for in Order No. 561, in July 2000, the FERC issued a Notice of Inquiry seeking comment on whether to retain or to change the existing oil rate-indexing method. In December 2000, the FERC issued an order concluding that the rate index reasonably estimated the actual cost changes in the pipeline industry and should be continued for another five-year period, subject to review in July 2005. In February 2003, on remand of its December 2000 order from the D.C. Circuit, the FERC changed the rate indexing methodology to the Producer Price Index for Finished Goods, but without the subtraction of 1% as had been done previously. The FERC made the change prospective only, but did allow oil pipelines to recalculate their maximum ceiling rates as though the new rate indexing methodology had been in effect since July 1, 2001. A challenge to FERC's remand order was denied by the D.C. Circuit in April 2004.

With respect to intrastate crude oil, condensate and natural gas liquids pipelines subject to the jurisdiction of state agencies, such state regulation is generally less rigorous than the regulation of interstate pipelines. State agencies have generally not investigated or challenged existing or proposed rates in the absence of shipper complaints or protests. Complaints or protests have been infrequent and are usually resolved informally.

We do not believe that the regulatory decisions or activities relating to interstate or intrastate crude oil, condensate or natural gas liquids pipelines will affect us in a way that materially differs from the way it affects other crude oil, condensate and natural gas liquids producers or marketers.

Environmental regulations. We are subject to stringent federal, state and local laws. These laws, among other things, govern the issuance of permits to conduct exploration, drilling and production operations, the amounts and types of materials that may be released into the environment, the discharge and disposition of waste materials, the remediation of contaminated sites and the reclamation and abandonment of wells, sites and facilities. Numerous governmental departments issue rules and regulations to implement and enforce such laws, which are often difficult and costly to comply with and which carry substantial civil and even criminal penalties for failure to comply. Some laws, rules and regulations relating to protection of the environment may, in certain circumstances, impose strict liability for environmental contamination, rendering a person liable for environmental damages and cleanup cost without regard to negligence or fault on the part of such person. Other laws, rules and regulations may restrict the rate of oil and natural gas production below the rate that would otherwise exist or even prohibit exploration and production activities in sensitive areas. In addition, state laws often require various forms of remedial action to prevent pollution, such as closure of inactive pits and plugging of abandoned wells. The regulatory burden on the oil and natural gas industry increases our cost of doing business and consequently affects our profitability. These costs are considered a normal, recurring cost of our on-going operations. Our domestic competitors are generally subject to the same laws and regulations.

We believe that we are in substantial compliance with current applicable environmental laws and regulations and that continued compliance with existing requirements will not have a material adverse impact on our operations. However, environmental laws and regulations have been subject to frequent changes over the years, and the imposition of more stringent requirements could have a material adverse effect upon our capital expenditures, earnings or competitive position, including the suspension or cessation of operations in affected areas. As such, there can be no assurance that material cost and liabilities will not be incurred in the future.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") imposes liability, without regard to fault, on certain classes of persons that are considered to be responsible for the release of a "hazardous substance" into the environment. These persons include the current or former owner or operator of the disposal site or sites where the release occurred and companies that disposed or arranged for the disposal of hazardous substances. Under CERCLA, such persons may be subject to joint and several liability for the cost of investigating and cleaning up hazardous substances that have been released into the environment, for damages to natural resources and for the cost of certain health studies. In addition, companies that incur liability frequently also confront third party claims because it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment from a polluted site.

The Federal Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 ("RCRA"), regulates the generation, transportation, storage, treatment and disposal of hazardous wastes and can require cleanup of hazardous waste disposal sites. RCRA currently excludes drilling fluids, produced waters and other wastes associated with the exploration, development or production of oil and natural gas from regulation as "hazardous waste." Disposal of such non-hazardous oil and natural gas exploration, development and production wastes usually are regulated by state law. Other wastes handled at exploration and production sites or used in the course of providing well services may not fall within this exclusion. Moreover, stricter standards for waste handling and disposal may be imposed on the oil and natural gas industry in the future. From time to time, legislation is proposed in Congress that would revoke or alter the current exclusion of exploration, development and production wastes from the RCRA definition of "hazardous wastes," thereby potentially subjecting such wastes to more stringent handling, disposal and cleanup requirements. If such legislation were enacted, it could have a significant impact on our operating cost, as well as the oil and natural gas industry in general. The impact of future revisions to environmental laws and regulations cannot be predicted.

Our operations are also subject to the Clean Air Act ("CAA") and comparable state and local requirements. Amendments to the CAA were adopted in 1990 and contain provisions that may result in the gradual imposition of certain pollution control requirements with respect to air emissions from our operations. We may be required to incur certain capital expenditures in the future for air pollution control equipment in connection with obtaining and maintaining operating permits and approvals for air emissions. However, we believe our operations will not be materially adversely affected by any such requirements, and the requirements are not expected to be any more burdensome to us than to other similarly situated companies involved in oil and natural gas exploration and production activities.

The Federal Water Pollution Control Act of 1972, as amended (the "Clean Water Act"), imposes restrictions and controls on the discharge of produced waters and other wastes into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. Certain state regulations and the general permits issued under the Federal National Pollutant Discharge Elimination System program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the oil and natural gas industry into certain coastal and offshore waters, unless otherwise authorized. Further, the EPA has adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Cost may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans. The Clean Water Act and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges for oil and other pollutants and impose liability on parties responsible for those discharges for the cost of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

Underground injection is the subsurface placement of fluid through a well, such as the reinjection of brine produced and separated from oil and natural gas production. The Safe Drinking Water Act of 1974, as amended, establishes a regulatory framework for underground injection, with the main goal being the protection of usable aquifers. The primary objective of injection well operating requirements is to ensure the mechanical integrity of

the injection apparatus and to prevent migration of fluids from the injection zone into underground sources of drinking water. Hazardous-waste injection well operations are strictly controlled and certain wastes, absent an exemption, cannot be injected into underground injection control wells. In Louisiana and Texas, no underground injection may take place except as authorized by permit or rule. We currently own and operate various underground injection wells. Failure to abide by our permits could subject us to civil and/or criminal enforcement. We believe that we are in compliance in all material respects with the requirements of applicable state underground injection control programs and our permits.

Executive Order 13158, issued on May 26, 2000, directs federal agencies to safeguard existing Marine Protected Areas ("MPAs") in the United States and establish new MPAs. The order requires federal agencies to avoid harm to MPAs to the extent permitted by law and to the maximum extent practicable. It also directs the EPA to propose new regulations under the Clean Water Act to ensure appropriate levels of protection for the marine environment. This order has the potential to adversely affect our operations by restricting areas in which we may carry out future development and exploration projects and/or causing us to incur increased operating expenses.

Federal Lease Stipulations address the reduction of potential taking of protected marine species (sea turtles, marine mammals, Gulf sturgeon and other listed marine species). MMS permit approvals will be conditioned on collection and removal of debris resulting from activities related to exploration, development and production of offshore leases. MMS has issued Notices to Lessees and Operators ("NTL") 2003-G06 advising of requirements for posting of signs in prominent places on all vessels and structures.

Certain flora and fauna that have officially been classified as *"threatened"* or *"endangered"* are protected by the Endangered Species Act. This law prohibits any activities that could *"take"* a protected plant or animal or reduce or degrade its habitat area. If endangered species are located in an area we wish to develop, the work could be prohibited or delayed or expensive mitigation might be required.

Because our oil and natural gas operations include a production platform in the Gulf of Mexico located in a National Marine Sanctuary, we are also subject to additional federal regulation, including by the National Oceanic and Atmospheric Administration ("NOAA"). Unique regulations related to operations in the sanctuary include prohibition of drilling activities within certain protected areas, restrictions on the types of water and other substances that may be discharged, required depths of discharge in connection with drilling and production activities and limitations on mooring of vessels. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, incurrence of investigatory or remedial obligations or the imposition of injunctive relief.

Other statutes that provide protection to animal and plant species and which may apply to our operations include, but are not necessarily limited to, the National Environmental Policy Act, the Coastal Zone Management Act, the Oil Pollution Act, the Emergency Planning and Community Right-to-Know Act, the Marine Mammal Protection Act, the Marine Protection, Research and Sanctuaries Act, the Fish and Wildlife Coordination Act, the Fishery Conservation and Management Act, the Migratory Bird Treaty Act and the National Historic Preservation Act. These laws and regulations may require the acquisition of a permit or other authorization before construction or drilling commences and may limit or prohibit construction, drilling and other activities on certain lands lying within wilderness or wetlands and other protected areas and impose substantial liabilities for pollution resulting from our operations. The permits required for our various operations are subject to revocation, modification and renewal by issuing authorities.

We maintain insurance against "sudden and accidental" occurrences, which may cover some, but not all, of the risks described above. Most significantly, the insurance we maintain will not cover the risks described above which occur over a sustained period of time. Further, there can be no assurance that such insurance will continue to be available to cover all such cost or that such insurance will be available at a cost that would justify its purchase. The occurrence of a significant event not fully insured or indemnified against could have a material adverse effect on our financial condition and results of operations.

Regulation of oil and natural gas exploration and production. Our exploration and production operations are subject to various types of regulation at the federal, state and local levels. Such regulations include requiring permits and drilling bonds for the drilling of wells, regulating the location of wells, the method of drilling and casing wells and the surface use and restoration of properties upon which wells are drilled. Many states also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from oil and natural gas wells and the regulation of spacing, plug and abandonment of such wells. Some state statutes limit the rate at which oil and natural gas can be produced from our properties.

State Regulation. Most states regulate the production and sale of oil and natural gas, including requirements for obtaining drilling permits, the method of developing new fields, the spacing and operation of wells and the prevention of waste of oil and gas resources. The rate of production may be regulated and the maximum daily production allowable from both oil and gas wells may be established on a market demand or conservation basis or both.

MANAGEMENT

The following table lists our directors, executive officers and certain other officers and key employees:

Name	Age	Position
Tracy W. Krohn*	49	Founder, Chairman, Chief Executive Officer, President and Treasurer
Jerome F. Freel*	91	Founder, Secretary, Director and Chairman Emeritus
W. Reid Lea*	45	Vice President of Finance, Chief Financial Officer and Assistant Secretary
Jeffrey M. Durrant*	49	Vice President of Exploration/Geoscience
Joseph P. Slattery*	51	Vice President of Operations
Steven G. Burns	61	Vice President of Corporate Development
Kenneth F. Fagan	69	Vice President of Acquisitions
Jamie L. Vazquez	43	Vice President of Land
Amy M. Brumfield	34	Controller
Daniel P. Huffman	40	Exploitation Manager
Stephen L. Schroeder	41	Production Manager
Jeffrey R. Soine	37	Acquisition Manager
Clifford J. Williams	48	Reservoir Engineering Manager
Stuart B. Katz	49	Director
James L. Luikart	59	Director

* Indicates our executive officers

Tracy W. Krohn has served as Chief Executive Officer and President since he founded the Company in 1983, as Chairman since 2004 and as Treasurer since 1997. Mr. Krohn has been actively involved in the oil and gas business since graduating with a B.S. in Petroleum Engineering from Louisiana State University in 1978. He began his career as a petroleum engineer and offshore drilling supervisor with Mobil Oil Corporation. Prior to founding W&T in 1983, Mr. Krohn was senior engineer with Taylor Energy. From 1996 to 1997, Mr. Krohn was also Chairman and Chief Executive Officer of Aviara Energy Corporation in Houston, Texas. Mr. Krohn's mother is married to Mr. Freel.

Jerome F. Freel has served as a director and Secretary of our Company since our founding in 1983. Mr. Freel has been actively involved in the oil and natural gas business since 1934, first as a geophysicist for eleven years with the Humble Oil and Refining Company, then in 1945 as founder and president of Research Explorations, Inc., a geophysical survey contractor to major oil companies, including Humble until it was sold in 1963. In 1963, he became founder and president of Kiowa Minerals Company, a company that engaged in development drilling operations in Texas and Louisiana. Since 1983, Kiowa has not been active in oil and natural gas operations. Mr. Freel is married to Mr. Krohn's mother.

James L. Luikart has served on our board since 2002 at the request of Jefferies Capital Partners, the manager of three of our shareholders, who collectively are a major shareholder. Mr. Luikart has been Executive Vice President of Jefferies Capital Partners for more than five years. Mr. Luikart received a B.A. in History magna cum laude from Yale University and an M.I.A. from Columbia University. Mr. Luikart also serves as a member of the board of directors of The Sheridan Group, as well as various privately owned portfolio companies of Jefferies Capital Partners.

Stuart B. Katz has served on our board since 2002 at the request of Jefferies Capital Partners, the manager of three of our shareholders, who collectively are a major shareholder. He is a Managing Director of Jefferies Capital Partners. Prior to joining Jefferies Capital Partners in 2001, Mr. Katz was an investment banker with Furman Selz LLC and its predecessors for over sixteen years. Mr. Katz received a B.S. in engineering from Cornell University and a J.D. from Fordham Law School. Mr. Katz is a member of the bar of the State of New York. Mr. Katz also serves as a member of the board of directors of Telex Communications, Inc., as well as various privately owned portfolio companies of Jefferies Capital Partners.

Executive Officers and Key Employees

The following biographies describe our executive officers and key employees who are not also directors:

W. Reid Lea joined our Company as Vice President of Finance in 1999 and he has been the Chief Financial Officer since 2000. He is also one of our Assistant Secretaries. Prior to joining us, Mr. Lea was a reservoir engineer with Exxon and held management positions with three financial institutions. He also taught engineering in the Louisiana State University Systems. Mr. Lea received his B.S. in Petroleum Engineering from Louisiana Tech University in 1980, an M.S. in Engineering Science from Louisiana State University in 1991 and a Ph.D. in Engineering Science from Louisiana State University in 1993.

Joseph P. Slattery joined our Company in November 2002 as our Vice President of Operations. For more than eight years prior thereto, he was a major shareholder and president of Crescent Drilling & Production, Inc., a private consulting engineering firm specializing in total project management and field operations. Mr. Slattery also has prior experience in drilling, completion and well intervention work with McMoRan Exploration Company. He received a B.S. in Petroleum Engineering from Louisiana State University in 1974 and an M.S. in Petroleum Engineering from Colorado School of Mines in 1976.

Jeffrey M. Durrant has been a member of our management team since 1997, initially as Geological Manager until 1999, then Exploration Manager until 2001 and, since 2001, Vice President of Exploration. Prior to joining us, Mr. Durrant was with Exxon USA for 16 years serving as Gulf of Mexico Exploitation Geologist, Geologic Supervisor for Offshore Development and Farmout Coordinator/Exploitation Geologist for Gulf of Mexico Operations. Mr. Durrant received a B.S in Geology from Western Illinois University in 1977 and a M.S. in Geology from Ohio State University in 1979.

Steven G. Burns joined us 10 years ago as our Manager of Business Development and has served as our Vice President of Corporate Development since 1999. Mr. Burns has 30 years of experience in the oil and natural gas industry, including 20 years with The Western Company of North America, where he served as Region Sales Manager. Mr. Burns received his undergraduate degrees in Sociology and Mathematics in 1965 at St. Louis University.

Kenneth F. Fagan has served as Vice President of Acquisition and Marketing since 1995. Prior to joining us, Mr. Fagan was Senior Vice President of Forcenergy Gas Exploration, Senior Vice President of Convest Energy Corporation and Vice President of Foreign and Domestic Operations for Charter Oil Company. Mr. Fagan received a B.S. in Petroleum Engineering from New Mexico Tech in 1961 and an A.S. in Engineering from Mesa College in 1959.

Amy M. Brumfield joined our accounting department in 1997, becoming our Controller in February 2003. Prior to joining our Company, Ms. Brumfield worked in the specialized accounting services division of Laporte Sehrt Romig & Hand, a southeastern regional public accounting firm. Prior to that time, she was employed by the New York office of Americorp Securities as a brokerage accountant, and she worked as a joint venture accountant and auditor with Consolidated Natural Gas Producing Company. Ms. Brumfield received a B.S. in accounting from the University of New Orleans in 1994 and became a certified public accountant in 2002.

Stephen L. Schroeder joined us as Staff Reservoir Engineer in 1998 and has served as Production Manager since 1999. Prior to joining our Company, Mr. Schroeder was with Exxon USA for 12 years serving successively as an Offshore Division reservoir engineer; financial analyst conducting deepwater profitability studies; team leader evaluating company reserves, gas plants and operating expenses; and acquisition engineer responsible for acquisition and divestiture evaluations. Mr. Schroeder received a B.S. in Petroleum Engineering from Texas A&M University in 1985 and a M.B.A in Finance from Loyola University of New Orleans in 1989.

Jeffrey R. Soine joined us as a Senior Engineer in 1999 and has served as Acquisitions Manager since 2000. Prior to joining us, Mr. Soine served as a Reservoir and Subsurface Engineer with Exxon and later held positions

as a Reservoir Engineer and Area Team Leader with Shell. Mr. Soine received a B.S. in Engineering Science from Pacific Lutheran University and a B.S. in Mechanical Engineering from Columbia University in 1989, as part of a 3-2 engineering program. Mr. Soine was the Valedictorian of Columbia's Engineering School in 1989 and received his M.S. in Mechanical Engineering from Columbia University in 1990.

Clifford J. Williams joined us as Staff Reservoir Engineer in 1998, became Chief Reservoir Engineer in 2002, and was named Reservoir Engineering Manager in 2003. Prior to joining our Company, Mr. Williams served as a Reservoir and Facilities Engineer with Exxon and later as a Reservoir Engineer with Collarini Engineering, Inc. Mr. Williams received a B.S. in Civil Engineering from the University of Florida in 1977 and a M.S. in Environmental Engineering from Tulane University in 1995.

Daniel P. Huffman joined us as Senior Geologist in 1997 and has served as Exploitation Manager since 1999. Prior to joining us, Mr. Huffman was with The Louisiana Land and Exploration Company as Exploitation Geologist responsible for the development of South Louisiana properties. Mr. Huffman began his career in 1991 with Exxon USA, serving as Development Geologist for the gulf coast area. Mr. Huffman received a B.S. in Business from Eastern Illinois University in 1986 and a M.S. in Geology from University of Kansas in 1992.

Jamie Vazquez joined us as our Manager of Land in 1998 and became Vice President of Land in 2003. Prior to joining us, Ms. Vazquez was with CNG Producing Company for 17 years serving most recently as Manager, Land/Business Development Gulf of Mexico with prior experience as Onshore Land Manager and Senior Landman - Mid-Continent Region. Ms. Vazquez received a B.S. in Management from University of Tulsa in 1984.

Committees of Our Board

Our board of directors currently consists of four persons, but we expect to expand our board to seven directors, including one additional independent director, during the year following this offering. The board has three functioning committees, the audit committee, compensation committee and nominating and corporate governance committee. Because a single person controls our Company, we are a "controlled company" within the meaning of the rules of the New York Stock Exchange; accordingly, we are not required to have independent compensation and nominating and corporate governance committees. We have determined, however, that it is in the best interests of the Company to maintain an independent compensation committee, and our compensation committee charter requires that such committee be composed solely of independent directors.

Messrs. Luikart and Katz are the initial members of our audit committee. Both Messrs. Luikart and Katz are "independent" under the standards of the New York Stock Exchange and SEC regulations. In addition, the board of directors has determined that Mr. Katz is an "audit committee financial expert," as defined under the rules of the SEC. Within one year following this offering, we will expand our board to include an additional independent director who will serve on the audit committee. Effective October 31, 2004, our audit committee will be required under New York Stock Exchange regulations to consist of not less than three members. If at that time we have not yet appointed an additional independent director, one non-independent director will become a member of the audit committee. Within one year following this offering, the audit committee will consist solely of independent directors. The audit committee recommends to the board the independent public accountants to audit our financial statements and establishes the scope of, and oversees, the annual audit. The committee also approves any other services provided by public accounting firms. The audit committee provides assistance to the board in fulfilling its oversight responsibility to the shareholders, the investment community and others relating to the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent auditor's qualifications and independence and the performance of our internal audit function. The committee oversees our system of disclosure controls and procedures and system of internal controls regarding financial, accounting, legal compliance and ethics that management and the board have established. In doing so, it is the responsibility of the committee to maintain free and open communication between the committee and our independent auditors, the internal accounting function and management of our Company.

Mr. Krohn, Mr. Freel and Mr. Katz serve as members of the nominating and corporate governance committee of our board. This committee nominates candidates to serve on our board of directors and approves director compensation. The committee is also responsible for monitoring a process to assess board effectiveness, developing and implementing our corporate governance guidelines, and in otherwise taking a leadership role in shaping the corporate governance of our Company.

Mr. Luikart and Mr. Katz serve as the members of the compensation committee of our board. The compensation committee reviews the compensation and benefits of our executive officers, establishes and reviews general policies related to our compensation and benefits and administers our Long-Term Incentive Compensation Plan. Under the terms of the compensation committee charter, the compensation committee determines the compensation of Mr. Krohn.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

During fiscal year 2003, we had no compensation committee. The Chief Executive Officer determined executive compensation, other than for himself.

Compensation of Our Directors

Each of our non-employee directors is paid annual director fees of $24,000, payable in quarterly installments of $6,000. In addition, each of our non-employee directors receives a meeting fee of $1,000 for each meeting attended. In addition, each non-employee director of the Company who also serves as a committee chairman receives an additional $500 for each committee meeting held outside a regular board meeting.

Directors who are also our employees receive no additional compensation for serving as directors or committee members. Our board and shareholders recently adopted the 2004 Directors Compensation Plan, which provides that the compensation committee may grant stock options or restricted or unrestricted stock to nonemployee directors.

Executive Compensation

The following table sets forth certain information with respect to the compensation paid to Mr. Krohn, our Chairman, Chief Executive Officer, President and Treasurer, and our four other most highly compensated executive officers for the fiscal year 2003:

SUMMARY COMPENSATION TABLE

	Annual Compensation			Long-Term Compensation Awards	
Name and Principal Position	Salary	Bonus	Other Annual Compensation (1)	Restricted Stock Awards (2)	All Other Compensation (3)
Tracy W. Krohn *Chairman/ Chief Executive Officer/ President/ Treasurer*	$ 500,000	$ 282,674	—	—	$ 2,815
W. Reid Lea *Vice-President, Finance CFO/Assistant Secretary*	$ 300,000	$ 19,466	$ 309,324	$ 449,846	$ 2,500
Jerome F. Freel *Secretary*	$ 237,716	$ 24,100	—	—	—
Jeffrey M. Durrant *Vice President, Exploration/ Geoscience*	$ 202,602	$ 20,260	$ 324,096	$ 456,507	$ 2,500
Joseph P. Slattery *Vice-President, Operations*	$ 200,000	$ 3,333	$ 90,328	$ 146,273	$ 2,500

(1) Excludes perquisites and other personal benefits because such compensation did not exceed the lesser of $50,000 or 10% of the total annual salary and bonus reported for each executive officer. Includes amounts paid to Messrs. Lea, Durrant and Slattery to reimburse them for certain tax liabilities they incurred with respect to the grant of shares of stock in 2003.

(2) These shares were part of an incentive stock grant to key employees. The shares were fully vested on the date of grant, but may not be voted or sold until the consummation of this offering. The total number of shares of restricted stock granted to each executive officer was as follows: Mr. Lea – 22,149 shares; Mr. Durrant – 22,477 shares; and Mr. Slattery – 7,202 shares.

(3) Corporate match of officers' contribution to 401(k) plan. For Mr. Krohn, the compensation also includes a life insurance premium.

Employment Agreements

Tracy W. Krohn serves as our Chairman, Chief Executive Officer, President and Treasurer. Upon the closing of this offering, Mr. Krohn will serve under an employment agreement with an initial term expiring three years from the date of the closing of this offering. On the third anniversary date, and on the same date every year thereafter, his agreement will automatically renew for one additional year, unless terminated before any such renewal date by Mr. Krohn or us. Until the offering is completed, Mr. Krohn will serve under a prior employment agreement that will terminate upon completion of the offering.

Mr. Krohn's employment agreement will provide for an annual base salary of $500,000 and a nondiscretionary bonus of $250,000 or more, subject to review from time to time by our compensation committee for possible increases based on Mr. Krohn's performance. The compensation committee also has the authority to pay additional cash bonuses to Mr. Krohn, in the discretion of the committee, during the term of his agreement.

If, during the term of his agreement, we terminate the employment of Mr. Krohn for any reason other than for cause, as defined in the agreement, he will be entitled to receive his base salary until the actual termination

date of his agreement and a severance payment in the amount of 2.99 times his average annual income over the most recent five taxable years. If we should undergo a change in control while the agreement is in effect and Mr. Krohn is either constructively or actually terminated under the conditions set forth in his agreement within two years of a change of control, then he will be entitled to receive 2.99 times his average annual taxable income from the Company over the five taxable years that end before the change of control transaction, as set forth on Mr. Krohn's W-2 form.

Mr. Krohn has agreed that during the term of his agreement and for a period of two years thereafter, he will not compete with us or solicit any of our customers, employees, consultants or independent contractors with whom we do business.

Information about Our Long-Term Incentive Compensation Plan

Our board and shareholders have adopted a Long-Term Incentive Compensation Plan. The purpose of the plan is to strengthen our Company by providing an incentive to our employees, officers, consultants and advisors to devote their abilities and energies to our success. The plan provides for the granting or awarding of incentive and nonqualified stock options, stock appreciation rights, restricted stock and performance shares. All awards will relate to our outstanding common stock. With the approval of our shareholders, we have reserved shares for issuance pursuant to awards made under the plan, all of which are available for future grant as of April 15, 2004.

The compensation committee of the board administers the Long-Term Incentive Compensation Plan. Subject to the express provisions of the plan, the compensation committee has full authority, among other things:

- to select the persons to whom stock, options and other awards will be granted;
- to determine the type, size and terms and conditions of stock options and other awards; and
- to establish the terms for treatment of stock options and other awards upon a termination of employment.

Under the plan, awards other than stock options and stock appreciation rights given to any of our executive officers whose compensation must be disclosed in our annual securities filings and who is subject to the limitations imposed by Section 162(m) of the tax code must be based on the attainment of certain performance goals established by the board of directors or the compensation committee. The performance measures are limited to earnings per share, return on assets, return on equity, return on capital, net profits after taxes, net profits before taxes, operating profits, stock price and sales or expenses. Additionally, the performance goals must include formulas for calculating the amount of compensation payable if the goals are met; and both the goals and the formulas must be sufficiently objective so that a third party with knowledge of the relevant performance results could assess that the goals were met and calculate the amount to be paid.

Consistent with certain provisions of the tax code, there are other restrictions providing for a maximum number of shares that may be granted in any one year to a named executive officer and a maximum amount of compensation payable as an award under the plan (other than stock options and stock appreciation rights) to a named executive officer.

In 2003, we awarded 272,984 shares of common stock to 31 employees, including 22,149 shares to Mr. Lea, 7,202 shares to Mr. Slattery and 22,477 shares to Mr. Durrant. Through March 31, 2004, we also awarded 14,262 shares to five non-executive employees.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Brooke Companies, Inc. provides people to fill temporary staffing and employee placement needs of our Company from time to time. Our Company paid Brooke Companies approximately $300,000 in 2003, $68,000 in 2002 and $46,000 in 2001. Susan Krohn, the wife of Tracy W. Krohn, owns 100% of Brooke Companies. Brooke Companies has continued to and currently does provide staffing services to our Company, and we expect that it will continue to do so for the foreseeable future.

Crescent Drilling & Production, Inc. provides field supervision services to our Company. We paid Crescent Drilling & Production a total of approximately $2.2 million for these services in 2003 and $53,000 in 2002. During 2003 and 2002, Joseph Slattery and his wife owned 75% of Crescent Drilling & Production. The Slatterys sold their entire interest in Crescent Drilling & Production effective December 31, 2003 to an unrelated third party.

On January 2, 2003, we sold our 99% ownership interest in W&T Offshore, LLC to Tracy W. Krohn and Ann K. Freel, our two largest common shareholders, for $1 million in cash. The sales price was determined by management to approximate fair value. For a more complete description of this transaction, see Notes 4 and 15 to our consolidated financial statements. Since the sale, we have provided management services with respect to W&T Offshore, LLC. We estimate that the value of the services we provided in 2003 was approximately $96,000. While we were not compensated for such services in 2003, we have entered into a management agreement with W&T Offshore, LLC effective January 1, 2004 providing for compensation to us in the amount of $8,000 per month for these services.

In December 2002, we completed a private placement of our Series A convertible preferred stock with entities that are managed by Jefferies Capital Partners. The convertible preferred stock was issued in exchange for 1,000 shares of our outstanding common stock. This preferred stock will be converted into our common stock on consummation of this offering. In connection with the private placement, we entered into a stockholders' agreement, pursuant to which Jefferies Capital Partners appointed two of our directors, Messrs. Luikart and Katz. Mr. Luikart is a managing member of Jefferies Capital Partners and Mr. Katz is an officer of Jefferies Capital Partners. Although the stockholders' agreement terminates upon the consummation of this offering, Messrs. Luikart and Katz will continue as directors until they resign or are replaced by another duly elected or appointed director.

In connection with the private placement, we entered into an Exchange Agreement with the purchasers of our Series A preferred stock. These purchasers and their transferees have the right to require us to register their shares with the SEC so that those shares may be publicly resold or to include their shares in any registration statement that we file. Jefferies & Company Inc. received the same registration rights under the Exchange Agreement.

Demand Registration Rights. At any time after 180 days following the closing date of this offering, the holders of 25% of the securities covered by the Exchange Agreement can require that we file a registration statement so that they can publicly sell their shares of common stock, or common stock received upon conversion of their Series A preferred stock, as the case may be. The underwriters of any underwritten offering will have the right to limit the number of shares to be included in the filed registration statement.

Piggyback Registration Rights. If we register any common shares for public sale, FS Private Investments III LLC and other holders of common stock received upon conversion or our Series A preferred stock will have the right to include their shares in that registration statement. The underwriters of any underwritten offering will have the right to limit the number of shares to be included in the filed registration statement.

Expenses of Registration. We will pay all expenses relating to any demand or piggyback registration, except for underwriters' or brokers' commission or discounts.

Expiration of Registration Rights. The securities subject to the registration rights agreement will no longer be registrable under the registration rights agreement if they have been sold to the public either pursuant to a

registration statement or under Rule 144 promulgated under the Securities Act of 1933, as amended, or have been sold in a private transaction in which the transferor's rights under the registration rights agreement have not been assigned.

PRINCIPAL SHAREHOLDERS AND OWNERSHIP OF MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 31, 2004 and, as adjusted to reflect the sale of common stock in the offering, by each person who is known by us to own beneficially 5% or more of our common stock, by each director and by all of our executive officers and by our executive officers and directors as a group.

	Number of Shares Beneficially Owned (1)		Percent of Shares Outstanding	
Name of Beneficial Owner	Before the Offering	After the Offering	Before the Offering	After the Offering
Tracy W. Krohn	7,857,097(2)(3)(5)		79.5%	
Jerome F. Freel	1,062,691(3)		10.8%	
FS Private Investments III LLC (4)	2,031,685(5)		20.5%	
James L. Luikart (4)	2,031,685(5)		20.5%	
Brian P. Friedman (4)	2,031,685(5)		20.5%	
Stuart B. Katz (4)	0		0.0%	*
W. Reid Lea	22,149(6)		*	*
Joseph P. Slattery	7,202(6)		*	*
Jeffrey M. Durrant	22,477(6)		*	*
Directors and executive officers as a group (7 persons) (2)	9,888,782		100.0%	

* Less than 1%.

(1) Except as otherwise indicated, each of the shareholders has sole voting and investment power with respect to the securities shown to be owned by such shareholder. The address for each officer and director, other than Mr. Luikart and Mr. Katz, is in care of W&T Offshore, Inc., Eight Greenway Plaza, Suite 1330, Houston, Texas 77046.

(2) Includes 1,349,937 shares owned by employees of our Company that Mr. Krohn has the power to vote until the offering covered by this prospectus is completed.

(3) Shares beneficially owned by Mr. Freel are held of record by his wife. Mr. Krohn has the sole power to vote these shares until this offering is completed. Accordingly, the 1,062,691 shares held of record by Mr. Freel's wife are included in the total number of shares beneficially owned by Mr. Krohn.

(4) Mr. Katz and Mr. Luikart, two of our directors, are an officer and a managing member, respectively, of FS Private Investments III LLC, d/b/a Jefferies Capital Partners, which controls the investment and voting power of all of our outstanding Series A Preferred Stock (which is convertible into 2,000,000 shares of our common stock). Mr. Friedman is also a managing member of FS Private Investments III LLC, sharing voting power over the securities managed by that company with Mr. Luikart. The shares of Series A Preferred Stock are shown on an as-converted basis. The address for each of Messrs. Katz, Luikart and Friedman and FS Private Investments III LLC is care of FS Private Investments III LLC, 520 Madison Avenue, 8th Floor, New York, New York 10022.

(5) Includes 31,685 shares of common stock owned by Jefferies & Company, Inc. that FS Private Investments III LLC has the power to vote until this offering is completed.

(6) These shares were granted in 2003 pursuant to a one-time stock grant to key employees. Mr. Krohn has the sole power to vote the shares beneficially owned by these individuals until this offering is completed. These shares are also included in the number of shares beneficially owned by Tracy W. Krohn.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock currently consists of 18,000,000 shares of common stock, $0.00001 par value per share and 2,000,000 shares of preferred stock, $0.00001 par value per share. At March 31, 2004, 7,888,782 shares of common stock were issued and outstanding and 2,000,000 shares of Series A preferred stock were issued and outstanding. At March 31, 2004, 38 holders held our common stock. At the time the shares covered by this prospectus are sold, all of our preferred stock will be converted into 2,000,000 shares of common stock and our articles of incorporation will be amended so that our authorized capital stock will consist of shares of common stock, $0.00001 par value per share, and shares of preferred stock, $0.00001 par value per share.

Common Stock

Holders of common stock are entitled to one vote per share with respect to each matter presented to our shareholders on which the holders of common stock are entitled to vote. Except as may be provided in connection with any preferred stock in a certificate of designation filed pursuant to the Texas Business Corporation Act, or the TBCA, or as may otherwise be required by law or our articles of incorporation, after the offering our common stock will be the only series of capital stock entitled to vote in the election of directors and on all other matters presented to our shareholders. The common stock does not have cumulative voting rights. Accordingly, for so long as Tracy W. Krohn beneficially owns a majority of the outstanding shares of our common stock, he will have enough voting power to elect the entire board of directors. No share of common stock affords any preemptive rights or is convertible, redeemable, assessable or entitled to the benefits of any sinking or repurchase fund.

Subject to the prior rights of holders of preferred stock, if any, holders of common stock are entitled to receive dividends as may be lawfully declared from time to time by our board of directors. Upon our liquidation, dissolution or winding up, whether voluntary or involuntary, holders of common stock will be entitled to receive such assets as are available for distribution to our shareholders after there shall have been paid or set apart for payment the full amounts necessary to satisfy any preferential or participating rights to which the holders of each outstanding series of preferred stock are entitled by the express terms of the series.

Preferred Stock

Our board is empowered, without approval of our shareholders, to cause shares of preferred stock to be issued from time to time in one or more series, with the numbers of shares of each series and the terms of the shares of each series as fixed by our board. Among the specific matters that may be determined by our board are:

- the designation of each series;
- the number of shares of each series;
- the rights in respect of dividends, if any;
- whether dividends, if any, shall be cumulative or non-cumulative;
- the terms of redemption, repurchase obligation or sinking fund, if any;
- the rights in the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs;
- rights and terms of conversion, if any;
- restrictions on the creation of indebtedness, if any;
- restrictions on the issuance of additional preferred stock or other capital stock, if any;
- restrictions on the payment of dividends on shares ranking junior to the preferred stock; and
- voting rights, if any.

Upon completion of this offering, no shares of preferred stock will be outstanding and we have no current plans to issue preferred stock. The issuance of shares of preferred stock, or the issuance of rights to purchase preferred stock, could be used to discourage an unsolicited acquisition proposal. For example, a business combination could be impeded by the issuance of a series of preferred stock containing class voting rights that would enable the holder or holders of such series to block any such transaction. Alternatively, a business combination could be facilitated by the issuance of a series of preferred stock having sufficient voting rights to provide a required percentage vote of our shareholders. In addition, under some circumstances, the issuance of preferred stock could adversely affect the voting power and other rights of the holders of common stock. Although prior to issuing any series of preferred stock our board is required to make a determination as to whether the issuance is in the best interests of our shareholders, our board could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of our shareholders might believe to be in their best interests or in which our shareholders might receive a premium for their stock over prevailing market prices of such stock. Our board does not at present intend to seek shareholder approval prior to any issuance of currently authorized preferred stock, unless otherwise required by law or applicable stock exchange requirements.

Anti-Takeover Provisions under Texas Law, our Articles of Incorporation and Bylaws

We are a Texas corporation and, upon completion of the offering, will be subject to Part Thirteen of the Texas Business Corporation Act, known as the "Business Combination Law." In general, this law will prevent us from engaging in a business combination with an affiliated shareholder, or any affiliate or associate of an affiliated shareholder, for the three-year period immediately after the date such person became an affiliated shareholder, unless:

- our board of directors approves the acquisition of shares that causes such person to become an affiliated shareholder before the date such person becomes an affiliated shareholder;
- our board of directors approves the business combination before the date such person becomes an affiliated shareholder; or
- holders of at least two-thirds of our outstanding voting shares not beneficially owned by the affiliated shareholder or its affiliates or associates approve the business combination within six months after the date such person becomes an affiliated shareholder.

Under this law, any person that owns or has owned 20% or more of our voting shares during the three-year period preceding a business combination is an "affiliated shareholder." The law defines "business combination" generally as including:

- mergers, share exchanges or conversions involving an affiliated shareholder;
- dispositions of assets involving an affiliated shareholder:
    - having an aggregate value equal to 10% or more of the market value of our assets,
    - having an aggregate value equal to 10% or more of the market value of our outstanding common stock or
    - representing 10% or more of our earning power or net income;
- issuances or transfers of securities by us to an affiliated shareholder other than on a pro rata basis;
- plans or agreements relating to our liquidation or dissolution involving an affiliated shareholder;
- reclassifications, recapitalizations, distributions or other transactions that would have the effect of increasing an affiliated shareholders' percentage ownership of our outstanding voting stock; and
- the receipt of tax, guarantee, pledge, loan or other financial benefits by an affiliated shareholder other than proportionally as one of our shareholders.

Liability and Indemnification of Officers and Directors

Our articles of incorporation and bylaws provide for indemnification of our directors to the fullest extent permitted by applicable law. Article 2.02-1 of the Texas Business Corporation Act provides that a Texas corporation may indemnify its directors and officers against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by them in connection with any suit or proceeding, whether civil, criminal, administrative or investigative if, in connection with the matters in issue, they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the corporation and, in connection with any criminal suit or proceeding, if in connection with the matters in issue, they had no reasonable cause to believe their conduct was unlawful. In addition, we have entered into indemnification agreements with our directors. These provisions and agreements may have the practical effect in certain cases of eliminating the ability of our shareholders to collect monetary damages from directors. We believe that these contractual agreements and the provisions in our articles of incorporation and bylaws are necessary to attract and retain qualified persons as directors.

Written Consent of Shareholders

Our articles of incorporation provide that any action by our shareholders must be taken at an annual or special meeting of shareholders. Special meetings of the shareholders may be called only by holders of not less than 30% of all the shares entitled to vote or by the Chairman of the Board, the President or the Board of Directors.

Advance Notice Procedure for Shareholder Proposals

Our bylaws establish an advance notice procedure for the nomination of candidates for election as directors as well as for shareholder proposals to be considered at annual meetings of shareholders. In general, notice of intent to nominate a director must contain specific information concerning the person to be nominated and must be delivered to and received at our principal executive offices as follows:

- with respect to an election to be held at the annual meeting of shareholders, not less than 90 days nor more than 120 days prior to the first anniversary date of the preceding year's annual meeting of shareholders; and
- with respect to an election to be held at a special meeting of shareholders for the election of directors, not earlier than the close of business on the 120th day prior to the special meeting and not later than the close of business on the later of the 90th day prior to the special meeting or the 10th day following the day on which public disclosure is first made of the date of the special meeting.

Notice of shareholders' intent to raise business at an annual meeting must be delivered to and received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the preceding year's annual meeting of shareholders. These procedures may operate to limit the ability of shareholders to bring business before a shareholders meeting, including with respect to the nomination of directors or considering any transaction that could result in a change of control.

Removal of Director

Our bylaws provide that neither any director nor the board of directors may be removed without cause and that any removal for cause would require the affirmative vote of the holders of at least 60% of the voting power of the outstanding capital stock entitled to vote for the election of directors.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Investor Services, LLC.

SHARES ELIGIBLE FOR FUTURE SALE

General

Prior to the offering, there has been no public trading market for our common stock. Sales of substantial amounts of common stock in the open market, or the perception that those sales could occur, could adversely affect prevailing market prices and could impair our ability to raise capital in the future through the sale of our equity securities.

Upon completion of the offering, we will have outstanding shares of our common stock. All of the shares sold in the offering, together with any shares sold upon exercise of the underwriters' overallotment option, will be freely tradable without restriction by persons other than our "affiliates," as that term is defined under Rule 144 under the Securities Act of 1933. Persons who may be deemed affiliates generally include individuals or entities that control, are controlled by or are under common control with us and may include our officers, directors and significant shareholders. The remaining shares of common stock, or shares if the underwriters exercise their overallotment option in full, that will continue to be held by our affiliates after the offering will constitute "restricted securities" within the meaning of Rule 144 and may not be sold other than through registration under the Securities Act or pursuant to an exemption from registration. In addition, sales of these securities will be subject to the restrictions on transfer contained in the lock-up agreements described below.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person or persons whose shares are aggregated, who has beneficially owned restricted shares for at least one year, including the holding period of any prior owner (other than an affiliate of ours) would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding; or
- the average weekly reported trading volume of the common stock during the four calendar weeks preceding the filing of a Form 144 with respect to the sale.

Sales under Rule 144 also are subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner (other than an affiliate of ours), is entitled to sell those shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 144A under the Securities Act permits resales of restricted securities under certain conditions, provided that the purchaser is a "qualified institutional buyer," as defined therein, which generally refers to an institution with over $100 million invested in securities of issuers that are not affiliated with such institution. Rule 144A allows holders of restricted securities to sell their shares to those purchasers without regard to volume or any other restrictions.

As discussed under the heading "*Underwriting*," we and each of our directors and executive officers have agreed not to offer, sell, contract to sell, pledge or otherwise dispose of any shares of our common stock or any securities convertible into or exchangeable or exercisable for our common stock (other than pursuant to employee stock incentive plans existing or contemplated on the date of this prospectus and for other specified purposes), for a period of days after the date of this prospectus without the prior written consent of Lehman Brothers Inc.

The Company has entered into a registration rights agreement providing registration rights in favor of Jefferies & Company, Inc. and holders of shares of our common stock issuable upon conversion of our Series A preferred stock. See "*Certain Relationships and Related Transactions*" beginning on p. 64 for more information concerning the registration rights agreement.

UNDERWRITING

Under the underwriting agreement, which is filed as an exhibit to the registration statement relating to this prospectus, each of the underwriters named below, for whom Lehman Brothers Inc. and Jefferies & Company, Inc. are joint bookrunning managers and representatives of the underwriters named below, has severally agreed to purchase from us the respective number of shares of common stock shown opposite its name below:

Underwriters	Number of Shares
Lehman Brothers Inc.	
Jefferies & Company, Inc.	
J.P. Morgan Securities, Inc.	
Raymond James & Associates, Inc.	
RBC Capital Markets Corporation	
Total	

The underwriting agreement provides that the underwriters' obligations to purchase our common stock depend on the satisfaction of the conditions contained in the underwriting agreement, including:

- the obligation to purchase all of the shares of common stock offered hereby, if any shares of common stock are purchased by the underwriters;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase up to an additional [ ] shares. The underwriting discount is the difference between the offering price and the amount the underwriters pay to purchase the shares from us.

	No Exercise	Full Exercise
Per share	$	$
Total	$	$

The representatives of the underwriters have advised us that the underwriters propose to offer shares of common stock directly to the public at the public offering price on the cover of this prospectus and to selected dealers, who may include the underwriters, at such offering price less a selling concession not in excess of $ per share. The underwriters may allow, and the selected dealers may re-allow, a discount from the concession not in excess of $ per share to other dealers. After the offering, the representatives may change the public offering price and other offering terms.

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately . We have agreed to pay such expenses.

Over-Allotment Option

We have granted the underwriters a 30-day option after the date of the underwriting agreement to purchase, from time to time, in whole or in part, up to an aggregate of shares at the public offering price less

underwriting discounts and commissions. The option may be exercised to cover over-allotments, if any, made in connection with the offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriter's percentage underwriting commitment in the offering as indicated in the preceding table.

Lock-up Agreements

We, along with our directors, officers and shareholders who collectively hold an aggregate of approximately million shares, will agree under lock-up agreements, subject to specified exceptions, not to directly or indirectly offer, sell, pledge or otherwise dispose of any shares of common stock or any securities convertible into or exchangeable for common stock without the prior written consent of Lehman Brothers Inc. on behalf of the underwriters for a period of days from the date of this prospectus.

Offering Price Determination

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between the qualified independent underwriter and us. In determining the initial public offering price of our common stock, the qualified independent underwriter will consider:

- prevailing market conditions;
- an assessment of our management, its past and present operations and the prospects for and timing of our future revenues; and
- our historical performance and capital structure.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, liabilities arising from breaches of the representations and warranties contained in the underwriting agreement and liabilities incurred in connection with the directed share program referred to below, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The underwriters may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act:

- Over-allotment involves sales by the underwriters of shares of common stock in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option, in whole or in part, or purchasing shares in the open market.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Syndicate covering transactions involve purchases of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase

shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we, nor any of the underwriters, make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we, nor any of the underwriters, make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Listing

Application will be made to list the shares of common stock on the New York Stock Exchange under the symbol "WTI," subject to official notice of issuance. In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial owners.

Offers and Sales in Canada

This prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of shares in Canada or any province or territory thereof. Any offer or sale of shares in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable provincial securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made.

Directed Share Program

At our request, the underwriters have reserved for sale at the initial public offering price up to shares offered hereby for officers, directors, employees and certain other persons associated with us. The number of shares available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby.

Stamp Taxes

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Relationships

The parent company of Jefferies & Company, Inc., one of the underwriters in this offering, is an investor in certain funds managed by FS Private Investments, III LLC and has an interest in a portion of the incentive fees earned by the manager of FS Private Investments, III LLC. As a result of these and other relationships between Jefferies & Company, Inc. and us, the National Association of Securities Dealers, Inc. may view the offering as a participation by Jefferies & Company, Inc. in the distribution in a public offering of securities issued by a company with which Jefferies & Company, Inc. has a conflict of interest. Accordingly, the offering is being made pursuant to the provisions of Rule 2720 of the National Association of Securities Dealers, Inc.'s Conduct Rules. Such provisions require, among other things, that the initial public offering price be no higher than that recommended by a "qualified independent underwriter," who must participate in the preparation of the registration statement and the prospectus and who must exercise the usual standards of "due diligence" with respect thereto. Lehman Brothers Inc. is acting as a qualified independent underwriter in the offering, and the initial public offering price of the shares will not be higher than the price recommended by Lehman Brothers Inc.

In addition, an affiliate of RBC Capital Markets Corporation is one of the lenders under our credit facilities.

We have been informed by the underwriters that they will not confirm sales to discretionary accounts over which they exercise discretionary authority without the prior written approval of the customer.

The underwriters may in the future perform investment banking and advisory services for us from time to time for which they may in the future receive customary fees and expenses. The underwriters may, from time to time, engage in transactions with or perform services for us in the ordinary course of their business.

LEGAL MATTERS

The validity of the shares of common stock issued in this offering will be passed upon for us by the law firm of Adams and Reese LLP. Certain legal matters in connection with this offering will be passed upon for the underwriters by the law firm of Baker Botts L.L.P.

EXPERTS

The consolidated financial statements of W&T Offshore, Inc. and Subsidiaries at December 31, 2003 and 2002, and for each of the three years ended December 31, 2003, 2002 and 2001, and the statement of revenues and direct operating expenses of certain oil and gas properties acquired from ConocoPhillips for the period January 1, 2003 through December 7, 2003 appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The estimated reserve evaluations and related calculations of Netherland, Sewell & Associates, Inc., independent petroleum consultants, included and incorporated by reference in this prospectus have been included and incorporated by reference herein in reliance upon the authority of said firm as experts in petroleum engineering.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC, under the Securities Act, a registration statement on Form S-1 with respect to the common stock offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement, portions of which are omitted as permitted by the rules and regulations of the SEC. Statements made in this prospectus regarding the contents of any contract or other documents are summaries of the material terms of the contract or document. With respect to each contract or document filed as an exhibit to the registration statement, reference is made to the corresponding exhibit. For further information pertaining to us and to the common stock offered by this prospectus, reference is made to the registration statement, including the exhibits and schedules thereto, copies of which may be inspected without charge at the public reference facilities of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of all or any portion of the registration statement may be obtained from the SEC at prescribed rates. Information on the public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a web site that contains reports, proxy and information statements and other information that is filed electronically with the SEC. The web site can be accessed at http://www.sec.gov.

Upon completion of this offering, we will be required to comply with the informational requirements of the Securities Exchange Act of 1934 and, accordingly, will file current reports on Form 8-K, quarterly reports on Form 10-Q, annual reports on Form 10-K, proxy statements and other information with the SEC. Those reports, proxy statements and other information will be available for inspection and copying at the Public Reference Room and internet site of the SEC referred to above. We intend to furnish our shareholders with annual reports containing consolidated financial statements certified by an independent public accounting firm.

Index to Financial Statements

Report of Independent Auditors

The Board of Directors
W&T Offshore, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of W&T Offshore, Inc. and Subsidiaries as of December 31, 2002 and 2003, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of W&T Offshore, Inc. and Subsidiaries as of December 31, 2002 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations.*

ERNST & YOUNG LLP

New Orleans, Louisiana
March 31, 2004

W&T Offshore, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31, 2002	December 31, 2003
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 18,954	$ 4,016
Receivables:		
Oil and gas sales	23,778	39,107
Joint interest	20,186	24,184
	43,964	63,291
Royalty deposits	2,662	5,614
Prepaid expenses and other assets	1,266	1,302
Total current assets	66,846	74,223
Property and equipment—at cost:		
Oil and gas properties and equipment—full cost method of accounting	524,113	842,846
Furniture, fixtures and other	3,572	5,222
	527,685	848,068
Less accumulated depreciation, depletion, and amortization	264,369	388,446
Net property and equipment	263,316	459,622
Deferred financing costs, less accumulated amortization of $36,384 and $478,710 in 2002 and 2003, respectively	1,281	958
Restricted deposits for asset retirement obligations	9,751	11,926
Total assets	$ 341,194	$ 546,729
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 50,300	$ 57,213
Undistributed oil and gas proceeds	4,876	11,500
Asset retirement obligation	—	17,552
Accrued expenses	680	765
Income taxes payable	2,242	16,288
Total current liabilities	58,098	103,318
Long-term debt	99,600	67,000
Asset retirement obligation less current portion	—	110,052
Deferred tax liabilities	50,166	51,904
Shareholders' equity:		
Series A Preferred Stock, $0.00001 par value; 2,000,000 shares authorized, issued and outstanding at December 31, 2002 and 2003	45,435	45,435
Common Stock, $0.00001 par value; authorized 18,000,000 shares, issued and outstanding 7,601,536 and 7,874,520 shares at December 31, 2002 and 2003, respectively	—	—
Additional paid-in capital	544	6,087
Retained earnings	87,351	162,933
Total shareholders' equity	133,330	214,455
Total liabilities and shareholders' equity	$ 341,194	$ 546,729

See accompanying notes.

W&T Offshore, Inc. and Subsidiaries

Consolidated Statements of Income

	Year ended December 31,		
	2001	2002	2003
		(in thousands, except per share amounts)	
Operating revenues:			
Oil and gas revenues	$ 169,054	$ 189,892	$ 421,435
Other	534	1,443	1,152
	169,588	191,335	422,587
Operating expenses:			
Lease operating expenses	22,099	26,454	65,947
Production taxes	838	307	303
Gathering and transportation costs	4,210	3,365	9,910
Depreciation, depletion, and amortization	65,293	89,941	136,249
Asset retirement obligation accretion	—	—	7,443
General and administrative	9,677	10,060	22,912
	102,117	130,127	242,764
Impairment of subsidiary assets	—	3,750	—
Income from operations	67,471	57,458	179,823
Other income (expense):			
Interest and dividend income	265	49	279
Interest expense	(4,167)	(3,050)	(2,508)
	(3,902)	(3,001)	(2,229)
Income before income taxes	63,569	54,457	177,594
Income tax expense	—	52,408	61,156
Income before cumulative effect of a change in accounting principle	63,569	2,049	116,438
Cumulative effect of change in accounting principle (net of tax of $77)	—	—	144
Net income	63,569	2,049	116,582
Less: Preferred stock dividends	—	—	5,876
Net income applicable to common and common equivalent shares	$ 63,569	$ 2,049	$ 110,706
Basic earnings per common share:			
Income before cumulative effect of change in accounting principle			$ 14.26
Cumulative effect of change in accounting principle			0.02
Net income			$ 14.28
Diluted earnings per common share:			
Income before cumulative effect of change in accounting principle			$ 11.94
Cumulative effect of change in accounting principle			0.01
Net income			$ 11.95

See accompanying notes.

W&T Offshore, Inc. and Subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

	Preferred		Common		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Total Shareholders' Equity
	Shares	Value	Shares	Value			Shares	Value	
					(in thousands)				
Balances at January 1, 2001	—	$ —	11,355	$ —	$ 2,135	$ 112,478	—	$ —	$ 114,613
Income tax distributions to shareholders	—	—	—	—	—	(14,000)	—	—	(14,000)
Net income	—	—	—	—	—	63,569	—	—	63,569
Balances at December 31, 2001	—	$ —	11,355	$ —	$ 2,135	$ 162,047	—	$ —	$ 164,182
Income tax distributions to shareholders	—	—	—	—	—	(13,883)	—	—	(13,883)
Net income	—	—	—	—	—	2,049	—	—	2,049
Treasury stock repurchase	—	—	—	—	—	—	873	(14,997)	(14,997)
Retirement of treasury stock	—	—	(873)	—	(2,135)	(12,862)	(873)	14,997	—
Conversion of common stock to preferred stock	2,000	50,000	(2,911)	—	—	(50,000)	—	—	—
Equity offering costs	—	(4,565)	31	—	544	—	—	—	(4,021)
Balances at December 31, 2002	2,000	$ 45,435	7,602	$ —	$ 544	$ 87,351	—	$ —	$ 133,330
Cash dividends:									
Common stock ($4.46 per share)	—	—	—	—	—	(35,124)	—	—	(35,124)
Preferred stock ($2.94 per share)	—	—	—	—	—	(5,876)	—	—	(5,876)
Issuance of restricted stock	—	—	273	—	5,543	—	—	—	5,543
Net income	—	—	—	—	—	116,582	—	—	116,582
Balances at December 31, 2003	2,000	$ 45,435	7,875	$ —	$ 6,087	$ 162,933	—	$ —	$ 214,455

See accompanying notes.

W&T Offshore, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2001	2002	2003
		(in thousands)	
Operating activities			
Net income	$ 63,569	$ 2,049	$ 116,582
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion, amortization and accretion	65,293	89,941	143,692
Impairment of subsidiary assets	—	3,750	—
Amortization of debt issuance cost	263	583	442
Noncash issuance of restricted stock awards	—	—	5,543
Gain on sale of equipment	—	—	(182)
Cumulative effect of change in accounting principle (net of tax)	—	—	(144)
Deferred income taxes	—	50,166	1,660
Changes in operating assets and liabilities:			
Oil and gas receivables	(9,568)	(19,454)	(16,090)
Decrease in joint interest receivables			(3,998)
Note receivable to shareholders	1,911	302	—
Income taxes payable	—	2,242	14,046
Prepaid expenses, royalty deposits and other assets	(928)	(1,724)	(3,012)
Asset retirement obligations	—	—	(9,181)
Accounts payable and accrued expenses	3,344	19,954	13,797
Net cash provided by operating activities	123,884	147,809	263,155
Investing activities			
Investment in oil and gas properties and equipment	(126,388)	(115,835)	(201,318)
Proceeds from sale of subsidiary	—	—	1,000
Change in restricted deposits	(124)	(9)	(2,175)
Purchase of furniture, fixtures and other	(11)	(924)	(2,082)
Proceeds from sales of oil and gas properties and equipment	—	4,145	173
Net cash used in investing activities	(126,523)	(112,623)	(204,402)
Financing activities			
Borrowings on long-term debt	41,000	164,200	253,200
Payments on long-term debt	(25,600)	(147,000)	(285,800)
Dividends/distributions to shareholders	(14,001)	(13,883)	(41,000)
Treasury stock repurchase	—	(14,997)	—
Equity offering costs	—	(4,021)	—
Debt issuance costs paid	—	(1,310)	(91)
Net cash provided by (used in) financing activities	1,399	(17,011)	(73,691)
Net change in cash and cash equivalents	(1,240)	18,175	(14,938)
Cash and cash equivalents at beginning of year	2,019	779	18,954
Cash and cash equivalents at end of year	$ 779	$ 18,954	$ 4,016

See accompanying notes.

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2001, 2002 and 2003

1. Significant Accounting Policies

Operations

W&T Offshore, Inc. and subsidiaries (the "Company") is an independent oil and natural gas acquisition, exploitation, and exploration company focused primarily in the Gulf of Mexico.

Basis of Presentation

Our consolidated financial statements include the accounts of W&T Offshore, Inc., and its wholly owned subsidiaries: Offshore Energy I LLC, Offshore Energy II LLC, Offshore Energy III LLC, and Gulf of Mexico Oil and Gas Properties LLC. For the periods prior to January 1, 2003, the financial statements also included a 99% ownership interest in W&T Offshore, LLC. We sold our interest in W&T Offshore, LLC effective January 2, 2003 (see Notes 4 and 15). All significant intercompany transactions and amounts have been eliminated for all years presented.

Use of Estimates and Market Risk

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Our future financial condition and results of operations will depend upon prices received for our oil and natural gas production and the costs of finding, acquiring, developing and producing reserves. Prices for oil and natural gas are subject to fluctuations in response to changes in supply, market uncertainty and a variety of other factors beyond our control. These factors include worldwide political instability (especially in the Middle East), the foreign supply of oil and natural gas, the price of foreign imports, the level of consumer demand, and the price and availability of alternative fuels.

Cash Equivalents

We consider cash equivalents to be all highly liquid investments with original maturities of three months or less at the date of acquisition.

Revenue Recognition

Oil and gas revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if the collection of the revenue is probable. We use the sales method of accounting for our oil and gas revenues. Under this method of accounting, revenue is recorded based upon our physical deliveries to our customers, which can be different from our net working ownership interest in field production. These differences create imbalances that are recognized as a liability only when the estimated remaining reserves will not be sufficient to enable the under-produced party to recoup our entitled share through production. As of December 31, 2002 and 2003, deliveries of natural gas in excess of our working interest and under-deliveries were not significant.

Concentration of Credit Risk

Our customers are primarily large integrated oil and natural gas companies. Our production is sold on month-to-month contracts at prevailing prices. Substantially all of the contracts are collateralized by letters of

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

credit or other financial guarantees. We historically have not had any significant problems in collecting our receivables, except in rare circumstances, and thus do not maintain an allowance for doubtful accounts.

During 2001, Enron North America Upstream ("Enron") was one of our natural gas purchasers. In December of 2001, Enron filed for protection under Chapter 11 of the Federal Bankruptcy Code. We determined that approximately $1.5 million of accounts receivable from Enron was uncollectible; accordingly a bad debt expense of approximately $1.5 million was recorded in general and administrative expense during the year ended December 31, 2001. All contracts with Enron were terminated, and the gas was contracted with a creditworthy purchaser. In 2003, we sold our rights in the Enron receivable for $184,630. The proceeds were recorded as a reduction to general and administrative expenses in the 2003 statement of income.

The following table identifies customers from whom we derived 10% or more of our total oil and gas revenues:

	Year ended December 31		
Customer	2001	2002	2003
ConocoPhillips	**	23%	46%
Duke Energy Trading and Marketing LLC	**	22%	**
Shell Trading (US company)	**	14%	18%
Reliant Services, Inc.	10%	17%	0%
Enron North America Upstream	26%	**	0%
Williams Field Services /Gulfmark Energy, Inc.	21%	**	**
BPAmoco (includes sales to Tractebel—contract purchased by BPAmoco)	0%	**	13%

** less than 10%

We believe that the loss of any of the customers above would not result in a material adverse effect on our ability to market future oil and gas production.

Hedging and Related Activities

We have not used hedging arrangements or other financial instruments to mitigate changes in market-based commodity prices or interest rates. As a result, the adoption of Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, on January 1, 2001, had no impact on our financial statements.

Oil and Gas Properties and Equipment

We follow the full-cost method of accounting for oil and gas properties. Under this method, all costs associated with acquisition, exploration, development and estimated abandonment costs of oil and gas reserves, including directly related overhead costs, incurred for the purpose of exploring for and developing natural gas and oil are capitalized. Acquisition costs include costs incurred to purchase, lease or otherwise acquire property. Exploration costs include costs of drilling exploratory wells and geological and geophysical costs. Development costs include the cost of drilling development wells and costs of completions, platforms, facilities and pipelines. Costs associated with production, including certain geological and geophysical costs, and general and administrative costs are expensed in the period incurred.

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

Sales of proved and unproved oil and gas properties, whether or not being amortized currently, are accounted for as adjustments of capitalized costs, with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas.

We compute the provision for depreciation, depletion and amortization ("DD&A") of capitalized oil and gas properties using the unit-of-production method based upon production and estimates of proved reserve quantities. In addition to costs associated with evaluated properties, the amortization base includes estimated future development costs. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on nonproducing properties, costs of drilling both productive and nonproductive wells, and overhead charges directly related to acquisition, exploration and development activities. Our DD&A per Mcfe produced was $1.54, $1.66, and $1.82 during each of the years ended December 31, 2001, 2002, and 2003, respectively.

Furniture, fixtures and non-oil and gas property and equipment are depreciated using the straight-line method based on the estimated useful life of the respective assets. Repairs and maintenance costs are expensed in the period incurred.

We capitalize interest on expenditures made in connection with exploration and development projects that are not subject to current amortization. Interest is capitalized only for the period that exploration and development activities are in progress. No interest was capitalized during the years ended December 31, 2001, 2002 or 2003.

Under the full cost method of accounting, we are required to periodically compare the present value of estimated future net cash flows from proved reserves (based on period-end commodity prices and excluding cash flows related to estimated abandonment costs), net of related tax effect, to the net capitalized costs of proved oil and gas properties, including estimated capitalized abandonment costs, net of related deferred taxes. We refer to this comparison as a "ceiling test." If the net capitalized costs of proved oil and gas properties exceed the estimated discounted future net cash flows from proved reserves, we are required to write-down the value of our oil and gas properties to the value of the discounted cash flows. We did not have any "ceiling test" adjustments during the years ended December 31, 2001, 2002, or 2003.

Fair Values of Financial Instruments

We believe that the carrying amounts of our cash and cash equivalents, receivables, accounts payable, accrued expenses, and long-term debt materially approximate fair value due to the short-term nature and the terms of these instruments.

Income Taxes

Income taxes have been provided using the liability method in accordance with FASB Statement No. 109,*Accounting for Income Taxes.* Prior to December 3, 2002, our shareholders had elected S Corporation status under the Internal Revenue Code and certain comparable state tax laws. As a result, our taxable income for federal and state jurisdictions was reported on the tax returns of our shareholders.

Deferred Financing Costs

Costs incurred in connection with financing are being amortized as additional interest expense over the term of the related debt agreement.

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, encourages but does not require, companies to record compensation costs for stock-based employee compensation plans at fair value. We have chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, *Accounting For Stock Issued to Employees*("APB No. 25"), and related interpretations. Accordingly, compensation cost for stock issued is measured as the excess, if any, of the fair value of our common stock at the date of the grant over the amount an employee must pay to acquire the common stock.

Earnings Per Share

Basic net income per share of common stock was calculated by dividing the income before cumulative effect of a change in accounting principle, cumulative effect of change in accounting principle and net income applicable to common stock by the weighted-average number of common shares outstanding during the periods presented. For purposes of the basic earnings per share computations, net income applicable to common stock has been adjusted to reflect the effect of the preferred stock dividends.

Recent Accounting Developments

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin 51*("FIN 46"). FIN 46 addresses consolidation by business enterprises of variable interest entities ("VIEs"). The primary objective of FIN 46 is to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as VIEs. The provisions of FIN 46 apply immediately to VIEs created after January 31, 2003. In December 2003, the FASB issued a revision to FIN 46, which among other things, deferred the effective date for certain VIEs created prior to January 31, 2003. We adopted FIN 46, as revised, as of December 31, 2003, which had no impact on the financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, to classify certain financial instruments as liabilities in statements of financial position. The financial instruments are mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets, put options and forward purchase contracts, instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets and obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index or varies inversely with the value of the issuers' shares. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We adopted the statement effective December 31, 2003. The statement had no impact on the classification of the Series A Preferred Stock.

2. Asset Retirement Obligations

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 requires that an asset retirement obligation ("ARO") associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which a legal obligation is incurred and becomes determinable, with an offsetting increase in the carrying amount of the associated asset. The cost of the tangible asset, including the initially recognized ARO, is depleted such that the cost of the ARO is recognized over the useful life of the asset. The ARO is recorded at fair value, and accretion

expense will be recognized over time as the discounted liability is accreted to our expected settlement value. The fair value of the ARO is measured using expected future cash outflows discounted at our credit-adjusted risk-free interest rate.

We adopted SFAS No. 143 on January 1, 2003, which resulted in an increase to net oil and gas properties of $95.0 million and additional liabilities related to asset retirement obligations of $101.7 million. These amounts reflect our ARO had the provisions of SFAS No. 143 been applied since inception and resulted in a noncash cumulative effect increase to earnings of $220,900 ($143,585 net of tax). In accordance with the provisions of SFAS No. 143, we record an abandonment liability associated with our oil and gas wells and platforms when those assets are placed in service, rather than our past practice of accruing the expected undiscounted abandonment costs on a unit-of-production basis over the productive life of the associated full-cost pool. Under SFAS No. 143, depletion expense is reduced since a discounted ARO is depleted in the property balance rather than the undiscounted value previously depleted under the old rules. The lower depletion expense under SFAS No. 143 is offset, however, by accretion expense, which is recognized over time as the discounted liability is accreted to our expected settlement value.

The following table is a reconciliation of the asset retirement obligation liability since adoption (in millions):

Asset retirement obligation upon adoption on January 1, 2003	$101.7
Liabilities settled	(9.1)
Accretion expense	7.4
Liabilities incurred for acquisitions, net of sales	27.3
Revision in estimated cash flows	0.3
Asset retirement obligation at December 31, 2003	$127.6

The liabilities incurred for acquisitions are primarily attributable to the acquisition discussed further in Note 5. The settlement of liabilities is primarily related to the plug and abandoning of certain properties acquired in connection with the 2002 Burlington Acquisition (as defined in Note 5)

The following table presents the pro forma effects of the retroactive application of this change in accounting principle as if the principle had been adopted on January 1, 2001:

	Year ended December 31,			
	2001		2002	
	As Reported	Pro Forma	As Reported	Pro Forma
		(Unaudited)		(Unaudited)
Net income	$ 63,569	$ 63,904	$ 2,049	$ 3,144
Asset retirement obligations	$ —	$ 27,200	$ —	$ 101,700

3. Restricted Deposits

Restricted deposits as of December 31, 2002 and 2003 consisted of funds escrowed for the future plug and abandonment of certain oil and gas properties. In connection with the Burlington Acquisition (as defined in Note 5), we received approximately $9.6 million in escrow funds attributable to the future plug and abandonment of two oil and gas fields. We are currently not obligated to contribute additional amounts to further fund these escrowed accounts.

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

In connection with the ConocoPhillips Acquisition in 2003 as discussed in Note 5, we provided the U.S. Minerals Management Service with a $1.8 million U.S. Treasury note in satisfaction of the mandatory areawide operator bonding requirements.

4. Sale of Subsidiary

On January 2, 2003, we sold our 99% ownership interest in W&T Offshore, LLC to our two largest common shareholders for $1 million in cash (see Note 15). The sales price was determined by management to approximate fair value. In connection with this sale, we reduced our carrying value to $1 million as of December 31, 2002 by recording an impairment expense of $3,749,865 ($2,362,415 net of tax). The results of operations of W&T Offshore, LLC represented less than 2% of total revenue and less than 4% of pretax net income during each of the years ended December 31, 2001 and 2002.

5. Significant Acquisitions

In December 2003, we acquired substantially all of ConocoPhillips' Gulf of Mexico shelf assets ("ConocoPhillips Acquisition"). In December 2002, we acquired substantially all of Burlington Resources' Gulf of Mexico shelf assets ("Burlington Acquisition"). These acquisitions were accounted for as purchases in accordance with FAS 141. The results of operations from these acquisitions have been included in the accompanying statements of income since their respective closing dates.

The following unaudited pro forma information shows the effect on our consolidated results of operations as if the ConocoPhillips Acquisition and Burlington Acquisition occurred on January 1, 2003 and 2002, respectively. The pro forma information includes only significant acquisitions and numerous assumptions, and is not necessarily indicative of future results of operations.

	For the year ended December 31,			
	2002		2003	
	Audited	Pro Forma (Unaudited)	Audited	Pro Forma (Unaudited)
	(In Thousands)			
Oil and gas revenues	$ 189,892	$ 294,636	$ 421,435	$ 502,140
Income before taxes and cumulative effect of an accounting change	$ 54,457	$ 96,083	$ 177,594	$ 234,287
Net income before income taxes	$ 54,457	$ 96,083	$ 177,738	$ 234,431
Net income	$ 2,049	$ 43,675	$ 116,582	$ 153,432

The 2002 pro forma net income assumes that we were a federal taxpayer effective December 3, 2002 at a rate of 35%.

6. Equity Structure and Transactions

At December 31, 2001, our capital structure consisted of 100,000 authorized shares of common stock, of which 3,900 were issued and outstanding. In late 2002, we repurchased and retired 300 shares of common stock and purchased a less than 1% interest in W&T Offshore, LLC from a shareholder for $15 million in cash. In a transaction with a third party, the same shareholder sold his remaining 1,000 shares of our common stock for $50 million.

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

Contemporaneously, we executed an Exchange Agreement with the third-party purchaser pursuant to which the purchaser tendered the 1,000 shares of common stock in exchange for 2,000,0000 shares of our Series A Preferred Stock, having a face amount of $50 million.

Upon the completion of the Exchange Agreement, we were recapitalized and declared a 2,911.48115 to one stock dividend on our remaining 2,600 outstanding shares of common stock. The recapitalization resulted in 20,000,000 shares of capital stock, of which 18,000,000 were designated as common stock, with $0.00001 par value per share, and 2,000,000 designated as preferred stock, with $0.00001 par value per share.

We incurred $4,565,318 in private equity costs related to the above transactions. The cost consisted of $4,021,179 in cash payments to brokers and the issuance of 31,685 shares of common stock, valued at $544,139, to a broker.

A special dividend in the aggregate amount of $12,000,000 was authorized for stockholders of record just before the Series A Preferred Stock was issued on December 3, 2002 (see Note 7). The special dividend was paid during the second quarter of 2003.

All share information included in the accompanying financial statements has been restated to reflect the events described above.

7. Preferred Stock

The Series A Preferred Stock is convertible at the option of the holder, at any time, into common stock on the basis of one share of common stock for each share of Series A Preferred Stock, subject to certain adjustments. The Series A Preferred Stock would be converted into common stock upon the effectiveness of an initial public offering of the common stock at our election. The Series A Preferred Stock has a liquidation preference of $25 per share. The holders of the Series A Preferred Stock are entitled to vote, together with the common stock, on any matter as to which the common stock is entitled to vote, including the election of directors.

The Series A Preferred Stock is redeemable at the option of the holder at any time upon the earlier of (1) the occurrence of a breach event as defined in our articles of incorporation, or (2) the death or disability of the Chief Executive Officer, at a redemption price equal to the greater of the liquidation preference of $25 per share ($50 million in the aggregate) or our per share fair market value. We and the holders of the Series A Preferred Stock have the option to initiate the sale of the Company as a means of financing a redemption. The Series A Preferred Stock has no set dividend rate. Except for a special dividend payable to holders of the common stock in accordance with our amended and restated articles of incorporation, the holders of the Series A Preferred Stock share equally on a per share basis with common stock holders if a dividend is declared on common stock.

8. Long-Term Debt

Our long-term debt facility consists of a $230,000,000 revolving line of credit as amended December 12, 2003. The revolving line of credit is subject to a Borrowing Base amount, which was $230,000,000 at December 31, 2003. At December 31, 2003, the outstanding loan balance on the revolving line of credit was $67,000,000, excluding $5,000,000 of outstanding letters of credit. The available line of credit at December 31, 2003 was $158,000,000. The line matures in January 2006 and is secured by substantially all of our oil and gas properties and reserves. Interest accrues either (1) at the higher of the Prime Rate or the Federal Funds Rate plus 0.50% plus a margin which varies from 0.0% to 0.75% depending upon the ratio of the amounts outstanding to the borrowing base or (2) to the extent any loan outstanding is designated as a Eurodollar loan, at the London Interbank Offered Rate, plus a margin that varies from 1.5% to 2.25%, depending upon the ratio of the amounts outstanding to the borrowing base. The interest rate at December 31, 2003 relating to these loans was 2.64%.

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

We are subject to various financial covenants, including a minimum tangible net worth ratio, a minimum current ratio and a minimum interest coverage ratio. We were in compliance with these covenants as of December 31, 2003.

9. Income Taxes

From the time of our formation through December 2, 2002, we elected to be treated for federal and state income tax purposes as an S Corporation. As a result, our earnings were taxed at the shareholder level rather than at the corporate level. On December 2, 2002, we revoked our S Corporation election and, accordingly, became subject to federal and state income taxes. The recognition of deferred income tax due to the change in tax status decreased net income by $52,369,080 for the year ended December 31, 2002.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities were as follows:

	December 31,	
	2002	2003
	(in thousands)	
Deferred tax liabilities:		
Oil and gas properties and equipment	$47,115	$49,880
Accruals	3,051	2,024
Total deferred tax liabilities	$50,166	$51,904

Significant components of income tax expense were as follows:

	Year ended December 31,	
	2002	2003
	(in thousands)	
Current	$ 2,242	$59,418
Deferred	(2,203)	1,738
Effect of tax status change	52,369	—
	$52,408	$61,156

The reconciliation of income taxes computed at the U.S. federal statutory tax rate to our income tax expense for the years ended December 31 is as follows:

	2001		2002		2003	
			(in thousands)			
Income before income taxes	$ 63,569		$ 54,457		$177,594	
Less Subchapter S income	(63,569)		(54,400)		—	
Income subject to federal income tax	$ —		$ 57		$177,594	
Income tax expense at federal statutory rate	$ —	— %	$ 20	35.0%	$ 62,158	35.0%
State income taxes, net of tax benefit	—	—	1	2.0%	—	—
Permanent and other	—	—	17	29.5%	(1,002)	(0.6)%
	$ —	— %	$ 38	66.5%	$ 61,156	34.4%

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

10. Commitments

We have several operating lease agreements for office space, which terminate in December 2008. Minimum future lease payments due under noncancelable operating leases with terms in excess of one year as of December 31, 2003 are as follows:

	Rent
2004	$ 829,000
2005	929,000
2006	903,000
2007	866,000
2008	866,000
	$4,393,000

Total rent expense was approximately $393,000, $494,000 and $641,000 during the years ended December 31, 2001, 2002 and 2003, respectively.

In addition, we are subject to the terms of a gas-gathering agreement, which provides for minimum monthly payments based on estimated monthly volumes. Our future minimum annual payments under this agreement, through March 2009 are as follows:

2004	$1,190,000
2005	858,000
2006	624,000
2007	456,000
2008	334,000
2009	58,000
	$3,520,000

Total gas-gathering expense under this agreement was approximately $1.8 million for the year ended December 31, 2003.

11. Contingent Liabilities

We are subject to claims and complaints, which may arise in the ordinary course of business. It is the opinion of management that the outcome of these matters will not have a material adverse effect on our financial position or results of operations.

12. Employee Benefit Plan

We maintain a defined-contribution benefit plan, which covers those employees who meet the plan's eligibility requirements. We match up to 25% of the employee contributions annually, with our portion being a maximum of 1.25% of each employee's salary. We may also elect to make an additional contribution in an amount determined at the discretion of our Board of Directors. Our expenses relating to contributions to employees participating in the plan were approximately $40,000, $51,000 and $82,000 for the years ended December 31, 2001, 2002 and 2003, respectively.

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

13. Long-Term Incentive Compensation Plan

In 2003, we implemented a long-term incentive compensation plan (the "Plan"), the purpose of which is to reward certain key employees for exceptional performance by us. The key metrics for determining awards, which may be in the form of nonqualified stock options, stock appreciation rights, restricted stock or performance shares, are return on equity, lease operating cost containment, general and administrative cost containment, reserve replacement and growth, reserve replacement cost and increased production. The cumulative award under the Plan to date has been approximately 2.8% of the outstanding common shares on a fully diluted basis. The Plan may be terminated by executive management or the board of directors at any time without incurring additional obligations for grants.

During 2003, we issued 272,984 shares of restricted common stock to key employees pursuant to the terms of the Plan. All of these shares were outstanding as of December 31, 2003. The granted shares may not be sold or voted until such time we have a class of publicly traded shares or until an individual or entity not related to the Chief Executive Officer or his estate becomes the majority shareholder.

We have the right (but not the obligation) to repurchase a portion of the shares held by any employee whose employment is terminated prior to 2006, in the following proportions:

Employment Termination Date	Percentage of Shares Subject to Repurchase Right
2003	100%
2004	75%
2005	50%
2006	25%

In accordance with APB No. 25, compensation cost related to the stock awards issued in 2003 was approximately $5.5 million. This amount is included in general and administrative expenses in the accompanying 2003 consolidated statement of income.

14. Earnings Per Share

The following table presents the reconciliation of the numerator and denominator for calculating earnings per share in accordance with the disclosure requirements of Statement of Financial Accounting Standards No. 128 as follows:

	Year ended December 31, 2003
Net income applicable to common and common equivalent shares	$ 110,705,863
Add: Series A Preferred Stock dividends	5,875,717
Adjusted net income available to common and common equivalent shares	$ 116,581,580
Weighted average number of shares outstanding	7,751,923
Add: Shares assumed issued upon conversion of Series A Preferred Stock	2,000,000
Adjusted weighted average number of shares outstanding	9,751,923
Net income available to common and common equivalent shares	
Basic	$ 14.28
Diluted	$ 11.95

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

Earnings per share information has not been presented for 2002 and 2001 because we were an S corporation in 2001 and during most of 2002. Accordingly, the results in 2002 and 2001 would not be comparable to the 2003 presentation.

15. Related Party Transactions

Effective January 1, 2003 we sold our 99% ownership interest in W&T Offshore, LLC to our two largest common shareholders, who are also our officers and directors (see Note 4). We continued to provide management services, including land, geological, accounting, engineering and administrative services for the LLC for which we received no compensation in 2003. Subsequent to year-end, we executed a management agreement with W&T Offshore, LLC under which we will receive $8,000 monthly for providing management services to the LLC.

We purchased oilfield goods, services and equipment from a drilling and production company, which was majority-owned by one of our executives. We incurred expenses of approximately $2.2 million during the year ended December 31, 2003 with this company. The executive sold his interest in the drilling and production company effective December 31, 2003.

We utilize the services of a temporary and permanent employment placement firm owned by the spouse of the Chief Executive Officer. We incurred approximately $46,000, $68,000 and $300,000 in fees paid to this firm during the years ended December 31, 2001, 2002 and 2003, respectively.

16. Supplemental Noncash Financing Activities

The following cash flow and noncash financing activities are disclosed to supplement the statement of cash flows:

	Year ended December 31		
	2001	2002	2003
Cash paid for interest expense	$ 3,881,332	$ 2,522,063	$ 2,111,493
Cash paid for income tax	$ —	$ —	$ 45,450,170
Issuance of common stock in lieu of cash for equity offering costs	$ —	$ 544,139	$ —
Assumption of plug and abandonment liabilities in exchange for restricted deposits	$ —	$ 9,626,704	$ —

17. Oil and Gas Properties and Equipment

Net capitalized costs related to our oil and natural gas producing activities are shown below:

	December 31		
	2001	2002	2003
		(in millions)	
Net capitalized cost			
Proved oil and natural gas properties	$ 422.7	$ 521.4	$ 712.9
Unproved oil and natural gas properties	1.3	2.7	16.2
Capitalized asset retirement obligations	—	—	113.7
Accumulated depreciation, depletion and amortization	(173.3)	(262.3)	(386.3)
Total	$ 250.7	$ 261.8	$ 456.5

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

	Year ended December 31		
	2001	2002	2003
		(in millions)	
Cost incurred			
Proved property acquisitions	$ 2.3	$ 56.6	$ 69.1
Development	47.8	31.0	65.1
Exploration	76.8	26.1	54.5
Unproved property acquisitions	0.1	0.7	13.4
Total	$ 127.0	$ 114.4	$ 202.1

18. Oil and Gas Reserve Information – UNAUDITED

Our net proved oil and gas reserves at December 31, 2001, 2002, and 2003 have been estimated by independent petroleum consultants in accordance with guidelines established by the Securities and Exchange Commission (“SEC”). Accordingly, the following reserve estimates are based upon existing economic and operating conditions at the respective dates.

There are numerous uncertainties inherent in estimating quantities of proved reserves and in providing the future rates of production and timing of development expenditures. The following reserve data represents estimates only and should not be construed as being exact. In addition, the present values should not be construed as the market value of the oil and gas properties or the cost that would be incurred to obtain equivalent reserves.

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

The following table sets forth an analysis of the estimated quantities of net proved and proved developed oil (including condensate) and natural gas reserves, all of which are located onshore and offshore in the continental United States:

	Oil in MBbls	Natural Gas in MMcf
Proved reserves as of January 1, 2001	17,324	103,439
Revisions of previous estimates	(2,196)	252
Extensions, discoveries and other additions	2,211	79,784
Purchase of producing properties	131	1,290
Sale of reserves	0	(1,635)
Production	(2,314)	(28,412)
Proved reserves as of December 31, 2001	15,156	154,718
Revisions of previous estimates	51	14,669
Extensions, discoveries and other additions	2,670	8,164
Purchase of producing properties	7,670	82,295
Sale of reserves	0	(1,439)
Production	(2,465)	(39,368)
Proved reserves as of December 31, 2002	23,082	219,039
Revisions of previous estimates	1,780	(17,226)
Extensions, discoveries and other additions	3,687	26,470
Purchase of producing properties	11,426	55,585
Sale of reserves	0	0
Production	(4,373)	(52,807)
Proved reserves as of December 31, 2003	35,602	231,061
Proved developed reserves:		
as of December 31, 2001	10,086	112,446
as of December 31, 2002	11,333	161,188
as of December 31, 2003	19,718	177,263

W&T Offshore, Inc. and Subsidiaries

Notes to Consolidated Financial Statements—(Continued)

The following tables present the standardized measure of future net cash flows related to proved oil and gas reserves together with changes therein, as defined by the FASB, including a reduction for estimated plug and abandonment costs that are also reflected as a liability on the balance sheet at December 31, 2003 in accordance with SFAS No. 143. Future net cash flows and discounted future net cash flows, referred to in the table below, do not necessarily represent the fair value of our estimated oil and gas reserves. As required by the SEC, we determined estimated future net cash flows using period-end market prices for oil and gas without considering hedge contracts in place at the end of the period. Future production and development costs are based on current costs with no escalations. Estimated future cash flows net of future income taxes have been discounted to their present values based on a 10% annual discount rate.

	Standardized Measure Year Ended December 31,		
	2001	2002	2003
		(in thousands)	
Future cash inflows	$ 679,792	$ 1,725,666	$ 2,435,234
Future cost:			
Future production costs	135,899	302,070	425,275
Future development costs	76,265	170,143	246,853
Plug and abandonment	37,469	139,570	180,924
Future income taxes	124,847	354,079	503,283
	305,312	759,804	1,078,899
10% annual discount factor	87,471	210,153	317,960
Standardized measure of discounted future net cash flows	$ 217,841	$ 549,651	$ 760,939

	Changes in Standardized Measure Year ended December 31,		
	2001	2002	2003
		(in thousands)	
Standardized measure at beginning of year	$ 576,201	$ 217,841	$ 549,651
Sales and transfers of oil and gas produced, net of production costs	(142,441)	(161,209)	(346,244)
Net changes in price, net of future production costs	(589,835)	304,538	151,242
Extensions and discoveries, net of future production and development costs	118,825	36,593	59,882
Changes in estimated future development costs	(31,805)	(24,878)	(27,030)
Development costs incurred during the period (including plug and abandonment costs)	47,800	32,172	73,569
Revisions of quantity estimates	26,452	72,024	35,875
Accretion of discount	87,104	30,692	80,580
Net change in income taxes	205,757	(167,066)	(98,816)
Purchases of reserves in-place	1,422	214,770	285,781
Sales of reserves in-place	(10,364)	(1,368)	—
Changes in production rates due to timing and other	(71,275)	(4,458)	(3,551)
Net increase (decrease) in standardized measure	(358,360)	331,810	211,288
Standardized measure at end of year	$ 217,841	$ 549,651	$ 760,939

Report of Independent Auditors

The Board of Directors
W&T Offshore, Inc. and Subsidiaries

We have audited the accompanying statement of revenues and direct operating expenses of certain oil and gas properties acquired from ConocoPhillips (the "Acquired Properties") by the Company for the period from January 1, 2003 through December 7, 2003. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and direct operating expenses was prepared as described in Note 1 for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the revenues and expenses of the Acquired Properties.

In our opinion, the statement of revenues and direct operating expenses referred to above presents fairly, in all material respects, the revenues and direct operating expenses of the Acquired Properties for the period from January 1, 2003 through December 7, 2003 in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

New Orleans, Louisiana
April 26, 2004

W&T Offshore, Inc. and Subsidiaries

Statement of Revenues and Direct Operating Expenses of Certain Oil and Gas Properties Acquired from ConocoPhilips

January 1, 2003 through December 7, 2003
(in thousands)

Revenues:	
Natural gas, oil, and condensate	$ 80,705
Direct operating expenses	11,584
Revenues in excess of direct operating expenses	$ 69,121

See accompanying notes.

W&T Offshore, Inc. and Subsidiaries

Notes to Statement of Revenues and Direct Operating Expenses of Certain Oil and Gas Properties Acquired from ConocoPhilips

Period from January 1, 2003 through December 7, 2003

1. Background and Basis of Presentation

On December 8, 2003, we completed the acquisition of 13 oil and gas fields located in the Gulf of Mexico from ConocoPhillips ("Acquired Properties").

The accompanying financial statement varies from an income statement in that it does not show certain expenses that were incurred in connection with ownership and operation of the acquired properties including exploration expenses, general and administrative expenses, and income taxes. These costs were not separately allocated to the properties in the accounting records of the Acquired Properties and any pro forma allocation would be time consuming and expensive and would not be a reliable estimate of what these costs would actually have been had the acquired properties been operated historically as a stand-alone entity. In addition, these allocations, if made using historical general and administrative structures and tax burdens, would not produce allocations that would be indicative of the historical performance of the acquired properties had they been our assets due to the greatly differing size, structure, operations and accounting of the two companies. The accompanying financial statement also does not include provisions for depreciation, depletion, and amortization, as such amounts would not be indicative of those costs which we would incur upon allocation of the purchase price.

For the above reasons, primarily the lack of segregated or easily obtainable reliable data on asset values and related liabilities, a balance sheet is not presented for the Acquired Properties.

The sales method is used for recording revenues from gas sales. Under this approach, revenues were based on the Acquired Properties actual cash received for each production month. The difference between entitled production and actual allocations was not material during the period covered by this report.

2. Supplementary Oil and Gas Information (Unaudited)

Proved Reserve Estimates

The following estimates of the net proved oil and gas reserves of the Acquired Properties are based on evaluations prepared by our engineers and third-party reservoir engineers. Reserves were estimated in accordance with guidelines established by the Securities and Exchange Commission and FASB, which require that reserve estimates be prepared under existing economic and operating conditions with no provisions for price and cost escalations except by contractual arrangements. Reserve estimates are inherently imprecise and estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, reserve estimates are expected to change as additional performance data becomes available.

W&T Offshore, Inc. and Subsidiaries

Notes to Statement of Revenues and Direct Operating Expenses of Certain Oil and Gas Properties Acquired from ConocoPhilips—(Continued)

Estimated quantities of proved domestic oil and gas reserves and of changes in quantities of proved developed and undeveloped reserves in millions of barrels ("MBbls") and millions of cubic feet ("MMcf") for each of the periods indicated were as follows:

	Oil (MBbls)	Natural Gas (MMcf)
Proved reserves at January 1, 2003	10,213.4	48,342.4
Production	(1,082.9)	(8,019.7)
Proved reserves at December 7, 2003	9,130.5	40,322.7
Proved developed reserves at:		
December 7, 2003	5,202.9	35,397.9

Standardized Measure of Discounted Future Net Cash Flows

The following table sets forth the computation of the standardized measure of discounted future net cash flows relating to proved reserves and the changes in such cash flows in accordance with SFAS No. 69. The standardized measure is the estimated excess future cash inflows from proved reserves less estimated future production and development costs, estimated plugging and abandonment costs, estimated future income taxes and a discount factor. Future cash inflows represent expected revenues from production of period-end quantities of proved reserves based on period-end prices and any fixed and determinable future escalation provided by contractual arrangements in existence at year end. Escalation based on inflation, federal regulatory changes and supply and demand are not considered. Estimated future production costs related to period-end reserves are based on period-end costs. Such costs include, but are not limited to, production taxes and direct operating costs. Inflation and other anticipatory costs are not considered until the actual cost change takes effect. Estimated future income tax expenses are computed using the appropriate period-end statutory tax rates. A discount rate of 10% is applied to the annual future net cash flows.

The methodology and assumptions used in calculating the standardized measure are those required by SFAS No. 69. The standardized measure is not intended to be representative of the fair market value of the proved reserves. The calculations of revenues and costs do not necessarily represent the amounts to be received or expended.

The standardized measure of discounted future net cash flows related to proved oil and gas reserves at December 7, 2003 follows (in thousands):

Future cash inflows	$ 489,016
Future costs:	
Future production costs	89,837
Future development costs	33,687
Dismantlement and abandonment	32,511
Future income taxes	102,552
	230,429
10% annual discount factor	80,796
Standardized measure of discounted future net cash flows	$ 149,633

W&T Offshore, Inc. and Subsidiaries

Notes to Statement of Revenues and Direct Operating Expenses of Certain Oil and Gas Properties Acquired from ConocoPhilips—(Continued)

Changes in standardized measure from January 1, 2003 through December 7, 2003 (in thousands):

As of January 1, 2003	$ 165,259
Sales and transfers of oil and gas produced, net of production costs	(69,121)
Changes in prices, production and future development costs	20,657
Accretion of discount	24,045
Net change in income taxes	8,601
Changes in production rates (timing) and other	192
Net change	(15,626)
As of December 7, 2003	$ 149,633

W&T Offshore, Inc. and Subsidiaries

Unaudited Pro Forma Combined Statement of Income

Statement from Management

The following unaudited pro forma combined statement of income for the year ended December 31, 2003 is derived from our historical consolidated financial statements as set forth elsewhere in this prospectus and from the historical statement of revenues and direct operating expenses of certain oil and gas properties acquired from ConocoPhillips included elsewhere in this prospectus with pro forma adjustments based on assumptions we have deemed appropriate. The unaudited pro forma combined statement of income gives effect to the acquisition of the ConocoPhillips properties as if the transaction had occurred on January 1, 2003. The acquisition from ConocoPhillips was completed as of the close of business on December 7, 2003, and accordingly the operating results related to the acquired properties are included in our historical results from December 8, 2003. The transaction and the related adjustments are described in the accompanying notes. In the opinion of management, all adjustments have been made that are necessary to present fairly in accordance with Regulation S-X the pro forma condensed consolidated financial statements.

The following unaudited pro forma combined statement of income is presented for illustrative purposes only, and does not purport to be indicative of the results of operations that would actually have occurred if the transactions described had occurred as presented in such statement or that may be obtained in the future. In addition, future results may vary significantly from the results reflected in such statements due to factors described in “Risk Factors” included elsewhere in this prospectus. The following unaudited pro forma combined statement of income should be read in conjunction with our historical consolidated financial statements and the notes thereto and the combined statement of revenues and direct operating expenses of certain oil and gas properties acquired from ConocoPhillips and the notes thereto included elsewhere in this prospectus.

W&T Offshore, Inc. and Subsidiaries

Unaudited Pro Forma Combined Statement of Income
Year ended December 31, 2003

	W&T Historical	ConocoPhillips Historical	Pro Forma Adjustments	Pro Forma
Operating revenue:				
Oil and gas revenues	$ 421,435	$ 80,705	$ —	$ 502,140
Other	1,152	—	—	1,152
	422,587	80,705	—	503,292
Operating expenses:				
Lease operating expenses	65,947	11,584	—	77,531
Production taxes	303	—	27(e)	330
Gathering and transportation costs	9,910	—	91(e)	10,001
Depreciation, depletion, and amortization	136,249	—	10,050(a)	146,299
Asset retirement obligation accretion	7,443	—	1,632(d)	9,075
General and administrative	22,912	—	—	22,912
	242,764	11,584	11,800	266,148
Income from operations	179,823	69,121	(11,800)	237,144
Other income (expense):				
Interest and dividend income	279	—	—	279
Interest expense	(2,508)	—	(628)(b)	(3,136)
	(2,229)	—	(628)	(2,857)
Income before income taxes	177,594	69,121	(12,428)	234,287
Income tax expense	61,156	—	19,843(c)	80,999
Income before cumulative effect of a change in accounting principle	116,438	69,121	(32,271)	153,288
Cumulative effect of change in accounting principle (net of tax of $77)	144	—	—	144
Net income	116,582	69,121	(32,271)	153,432
Less preferred stock dividends	5,876	—	—	5,876
Net income applicable to common and common equivalent shares	$ 110,706	$ 69,121	($ 32,271)	$ 147,556
Basic earnings per common share:	$ 14.28			$ 19.03
Diluted earnings per common share:	$ 11.95			$ 15.73

W&T Offshore, Inc. and Subsidiaries

Notes to Unaudited Pro Forma Combined Statement of Income
Year ended December 31, 2003

1. Pro Forma Adjustments

The unaudited pro forma statements of income have been adjusted to:

a. record incremental depreciation, depletion, and amortization expense, using the units-of-production method, resulting from the acquisition of the ConocoPhillips properties;

b. record interest expense associated with debt of approximately $44.1 million incurred under W&T's credit facility to fund the purchase price before consideration of purchase price adjustments. Applicable average interest rates on the facility were approximately 2.9%;

c. record a pro forma income tax provision, assuming a 35% rate;

d. record accretion expense related to asset retirement obligation on properties acquired from ConocoPhillips; and

e. record production taxes and transportation costs attributable to the ConocoPhillips properties.

2. Oil and Gas Revenue Disclosures

The following table sets forth certain unaudited pro forma information concerning our proved oil and gas reserves for the year ended December 31, 2003, giving effect to the ConocoPhillips transaction as if it had occurred on January 1, 2003. The oil and gas reserves are already included in our reserve information as of December 31, 2003. There are numerous uncertainties inherent in estimating the quantities of proved reserves and projecting future rates of production and timing of development expenditures. The following reserve data represents estimates only and should not be construed as being exact:

Proved Oil and Natural Gas Reserves

	Natural Gas (Mmcf)		
	W&T	ConocoPhillips	Pro Forma
January 1, 2003	219,039	48,342	267,381
Extension, discoveries, and other additions	26,470	—	26,470
Purchase of minerals in-place	15,262	—	15,262
Revisions of previous estimates	(17,226)	—	(17,226)
Production	(52,807)	(8,019)	(60,826)
Transfer of minerals in place	40,323	(40,323)	—
December 31, 2003	231,061	—	231,061

	Oil (MBbls)		
	W&T	ConocoPhillips	Pro Forma
January 1, 2003	23,082	10,213	33,295
Extension, discoveries, and other additions	3,687	—	3,687
Purchase of minerals in-place	2,296	—	2,296
Revisions of previous estimates	1,780	—	1,780
Production	(4,373)	(1,083)	(5,456)
Transfer of minerals in place	9,130	(9,130)	—
December 31, 2003	35,602	—	35,602

W&T Offshore, Inc. and Subsidiaries

Notes to Unaudited Pro Forma Combined Statements of Income—(Continued)

The following table sets forth unaudited pro forma information for the principal sources of changes in discounted future net cash flows from our proved oil and gas for the year ended December 31, 2003, and giving effect to the acquisition of the ConocoPhillips properties as if it had occurred on January 1, 2003. The discounted future net cash flows from proved oil and gas reserves are already included in our information as of December 31, 2003. Cash flows relating to the ConocoPhillips properties are based on our evaluation of reserves and on information provided by ConocoPhillips. The information should be viewed only as a form of standardized disclosure concerning possible future cash flows that would result under the assumptions used, but should not be viewed as indicative of fair market value. Reference is made to our financial statements for the fiscal year ended December 31, 2003, and the Statement of Revenues and Direct Operating Expenses of certain oil and gas properties acquired from ConocoPhillips included herein, for a discussion of the assumptions used in preparing the information presented.

The following table sets forth the principal sources of change in discounted future net cash flows:

	W&T	ConocoPhillips	Pro Forma
		(in thousands)	
Standardized measure at beginning of year	$ 549,651	$ 165,259	$ 714,910
Sales and transfers of oil and gas produced, net of production costs	(346,244)	(69,121)	(415,365)
Net change in prices, net of future production costs	151,242	20,657	171,899
Extensions and discussions, net of future production and development costs	59,882	—	59,882
Change in estimated development costs	(27,030)	—	(27,030)
Development cost incurred during the period (including plug and abandonment costs)	73,569	—	73,569
Revisions of quantities	35,875	—	35,875
Purchases of reserves in-place	136,148	—	136,148
Accretion of discount	80,580	24,045	104,625
Net change in income taxes	(98,816)	8,601	(90,215)
Sales of reserves in place	—	—	—
Change in production rates due to timing and other	(3,551)	192	(3,359)
Transfer of minerals in place	149,633	(149,633)	—
Net increase (decrease) in standardized measure	211,288	(165,259)	46,029
Standardized measure at end of year	$ 760,939	$ —	$ 760,939

GLOSSARY OF OIL AND NATURAL GAS TERMS

The following are abbreviations and definitions of terms commonly used in the oil and natural gas industry that are used in this prospectus.

Acquisitions. Refers to acquisitions, mergers or exercise of preferential rights of purchase.

Bbl. One stock tank barrel or 42 U.S. gallons liquid volume.

Bcf. Billion cubic feet.

Bcfe. One billion cubic feet equivalent, determined using a ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids.

Caisson. A minimal, unmanned structure usually associated with a single well that does not include production facilities.

Deep shelf well. A well drilled on the outer continental shelf to subsurface depths greater than 15,000 feet.

Deepwater. Water depths below 500 feet in the Gulf of Mexico.

Development well. A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry hole or well. A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production would exceed production expenses and taxes.

Exploitation. A drilling or other project which may target proven or unproven reserves (such as probable or possible reserves), but which generally has a lower risk than that associated with exploration projects.

Exploratory well. A well drilled to find and produce oil or natural gas reserves not classified as proved, to find a new reservoir in a field previously found to be productive of oil or natural gas in another reservoir or to extend a known reservoir.

Field. An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

Finding and Development or "F&D." Capital cost incurred in the acquisition, exploration and exploitation of oil and natural gas reserves, divided by proved reserve additions.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

MBbls. One thousand barrels of crude oil or other liquid hydrocarbons.

Mcf. One thousand cubic feet.

Mcfe. One thousand cubic feet equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of crude oil or other hydrocarbon.

MMBbls. One million barrels of crude oil or other liquid hydrocarbons.

MMbtu. One million British Thermal Units.

MMcf. One million cubic feet.

MMcfe. One million cubic feet equivalent, determined using a ratio of 6 Mcf of natural gas to 1 Bbl of crude oil condensate or natural gas liquids.

Net acres or net wells. The sum of the fractional working interests owned in gross acres or gross wells, as the case may be.

Oil. Crude oil, condensate and natural gas liquids.

Present value or PV-10 value. The estimated future net revenue to be generated from the production of proved reserves, determined in accordance with the rules and regulations of the SEC (using prices and cost in effect as of the date of estimation) without giving effect to non-property related expenses such as general and administrative expenses, debt service and future income tax expenses or to depreciation, depletion and amortization and estimated future plug and abandonment cost, discounted using an annual discount rate of 10%.

Productive well. A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceeds production expenses and taxes.

Proved developed reserves. Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included in "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved reserves. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrates with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, *i.e.*, prices and cost as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based on future conditions.

Proved undeveloped drilling location. A site on which a development well can be drilled consistent with spacing rules for purposes of recovering proved undeveloped reserves.

Proved undeveloped reserves. Reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those drilling units that are reasonably certain of production when drilled. Proved reserves for other undrilled units are included only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves are not attributed to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

Recompletion. The completion for production of an existing wellbore in another formation from that which the well has been previously completed.

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reserves.

Successful well. A well that we have completed or as to which we have a defined plan to complete.

Tcf. One trillion cubic feet.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and a share of production.

Workover. Operations on a producing well to restore or increase production.

Report of Netherland, Sewell and Associates, Inc.,
Independent Petroleum Consultants

April 1, 2004

Mr. Clifford J. Williams
W & T Offshore, Inc.
One Lakeway Center, Suite 1200
3900 North Causeway Boulevard
Metairie, Louisiana 70002

Dear Mr. Williams:

In accordance with your request, we have estimated the proved reserves and future revenue, as of January 1, 2004, to the W & T Offshore, Inc. (W&T) interest in certain oil and gas properties located in state and federal waters offshore Louisiana and Texas as listed in the accompanying tabulations. This report has been prepared using constant prices and costs and conforms to the guidelines of the Securities and Exchange Commission (SEC) except that, at your request, the future abandonment costs have not been included in our estimates of future net revenue.

As presented in the accompanying summary projections, Tables I through IV, we estimate the net reserves and future net revenue to the W&T interest, as of January 1, 2004, to be:

	Net Reserves			Future Net Revenue(1) (M$)	
Category	Oil (MBBL)	NGL (MBBL)	Gas (MMCF)	Total	Present Worth at 10%
Proved Developed					
Producing	7,477.6	962.6	84,863.2	539,491.1	463,329.1
Non-Producing	9,861.3	1,416.8	92,400.3	729,413.4	472,861.8
Proved Undeveloped	14,923.4	960.5	53,797.4	494,200.8	307,312.5
Total Proved(2)	32,262.4	3,339.9	231,060.8	1,763,105.2	1,243,503.4

(1) Estimates do not include future abandonment costs.
(2) Totals may not add due to rounding.

The oil reserves shown include crude oil and condensate. Oil and natural gas liquids (NGL) volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of standard cubic feet (MMCF) at the contract temperature and pressure bases.

The estimated reserves and future revenue shown in this report are for proved developed producing, proved developed non-producing, and proved undeveloped reserves. In accordance with SEC guidelines, our estimates do not include any probable or possible reserves which may exist for these properties. This report does not include any value which could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated.

Future gross revenue to the W&T interest is prior to deducting state production taxes and ad valorem taxes. Future net revenue is after deducting these taxes, future capital costs, and operating expenses but before consideration of federal income taxes. In accordance with SEC guidelines, the future net revenue has been discounted at an annual rate of 10 percent to determine its “present worth.” The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the properties.

For the purposes of this report, a field inspection of the properties has not been performed nor has the mechanical operation or condition of the wells and their related facilities been examined. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any

costs which may be incurred due to such possible liability. Also, our estimates do not include any salvage value for the lease and well equipment or, at your request, the cost of abandoning the properties.

Oil and NGL prices used in this report are based on a December 31, 2003 West Texas Intermediate posted price of $29.25 per barrel, adjusted by lease for quality, transportation fees, and regional price differentials. Gas prices used in this report are based on a December 31, 2003 Henry Hub spot market price of $5.965 per MMBTU, adjusted by lease for energy content, transportation fees, and regional price differentials. Oil, NGL, and gas prices are held constant in accordance with SEC guidelines.

Lease and well operating costs are based on operating expense records of W&T. For nonoperated properties, these costs include the per-well overhead expenses allowed under joint operating agreements along with costs estimated to be incurred at and below the district and field levels. Lease and well operating costs for the operated properties include only direct lease and field level costs. For all properties, headquarters general and administrative overhead expenses of W&T are not included. Lease and well operating costs are held constant in accordance with SEC guidelines. Capital costs are included as required for workovers, new development wells, and production equipment.

We have made no investigation of potential gas volume and value imbalances resulting from overdelivery or underdelivery to the W&T interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on W&T receiving its net revenue interest share of estimated future gross gas production.

The reserves included in this report are estimates only and should not be construed as exact quantities. They may or may not be recovered; if recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. The sales rates, prices received for the reserves, and costs incurred in recovering such reserves may vary from assumptions included in this report due to governmental policies and uncertainties of supply and demand. Also, estimates of reserves may increase or decrease as a result of future operations.

In evaluating the information at our disposal concerning this report, we have excluded from our consideration all matters as to which legal or accounting, rather than engineering and geological, interpretation may be controlling. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geological data; therefore, our conclusions necessarily represent only informed professional judgments.

The titles to the properties have not been examined by Netherland, Sewell & Associates, Inc., nor has the actual degree or type of interest owned been independently confirmed. The data used in our estimates were obtained from W & T Offshore, Inc., other interest owners, various operators of the properties, and the nonconfidential files of Netherland, Sewell & Associates, Inc. and were accepted as accurate. Supporting geologic, field performance, and work data are on file in our office. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties and are not employed on a contingent basis.

Very truly yours,

/s/ Frederic D. Sewell

TMS:RJK

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Shares

W&T OFFSHORE
INCORPORATED

Common Stock

PROSPECTUS
, 2004

LEHMAN BROTHERS

JEFFERIES & COMPANY, INC.

JPMORGAN

RAYMOND JAMES

RBC CAPITAL MARKETS

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following is a list of estimated expenses in connection with the issuance and distribution of the securities being registered, with the exception of underwriting discounts and commissions:

SEC registration fee	$
NASD filing fee	
New York Stock Exchange listing fee	
Printing expenses	
Legal fees and expenses	
Directors and officers insurance expense	
Accounting fees and expenses	
Engineering fees and expenses	
Transfer agent fees	
Blue sky fees and expenses	
Miscellaneous	
Total	

Item 14. Indemnification of Directors and Officers.

Under the provisions of Article 2.02.A(16) and Article 2.02-1 of the Texas Business Corporation Act and Article VI of our Amended and Restated Bylaws, we may indemnify our directors, officers, employees and agents and purchase and maintain liability insurance for those persons. Article 2.02-1 provides that any director or officer of a Texas corporation may be indemnified against judgments, penalties, fines, settlements and reasonable expenses actually incurred by him in connection with or in defending any action, suit or proceeding in which he is a party by reason of his position. With respect to any proceeding arising from actions taken in his official capacity as a director or officer, he may be indemnified so long as it shall be determined that he conducted himself in good faith and that he reasonably believed that such conduct was in the corporation's best interests. In cases not concerning conduct in his official capacity as a director or officer, a director may be indemnified as long as he reasonably believed that his conduct was not opposed to the corporation's best interests. In the case of any criminal proceeding, a director or officer may be indemnified if he had no reasonable cause to believe his conduct was unlawful. If a director or officer is wholly successful, on the merits or otherwise, in connection with such a proceeding, such indemnification is mandatory.

Our articles of incorporation provide for indemnification of our directors to the full extent permitted by applicable law. Article VI of our bylaws provides, in general, that we will indemnify our directors under the circumstances permitted under the Texas Business Corporation Act. We have obtained an insurance policy insuring our directors against certain liabilities, if any, that arise in connection with the performance of their duties on our behalf. In addition, we have entered into indemnification agreements with our directors. These agreements provide that if a director is a party or is threatened to be made a party to any action, we will indemnify the director and hold the director harmless against any and all liabilities or losses incurred in connection with such action if it arises out of or is related to the fact that the director is or was serving as a director, to the fullest extent permitted by then applicable law. Further, if Texas law is amended to authorize the further elimination or limitation of directors' liability, then the liability of our directors will automatically be limited to the fullest extent provided by law.

The underwriting agreement to be entered into in connection with this offering will provide that the underwriters shall indemnify us, our directors and certain of our officers against liabilities resulting from information furnished by or on behalf of the underwriters specifically for use in the Registration Statement. See *"Item 17. Undertakings"* for a description of the SEC's position regarding such indemnification provisions.

Item 15. Recent Sales of Unregistered Securities.

On December 12, 2002 we issued 2,000,000 shares of Series A Preferred Stock in exchange for 1,000 shares of our Common Stock. The preferred stock was issued to ING Furman Selz Investors III L.P., ING Barings U.S. Leveraged Equity Plan LLC and ING Barings Global Leveraged Equity Plan Ltd. The issuance and exchange of these securities was exempt from registration under the Securities Act in reliance on Regulation D, Rule 506 under the Securities Act. The buyers were all qualified institutional buyers and the offering was not made through any advertising or other form of public solicitation.

On December 12, 2002 we issued 31,685 shares of our common stock to Jefferies & Company, Inc. in consideration of financial advisory services rendered in connection with the issuance of our Series A Preferred Stock. The issuance of these securities was exempt from registration under Section 4(2) of the Securities Act. The buyer is a qualified institutional buyer, and the offering was not made through any advertising or other form of public solicitation.

On June 12, 2003, we issued a total of 269,600 shares of common stock to key employees, including our executive officers other than Tracy W. Krohn and Jere F. Freel. We issued an additional 3,384 shares in the last quarter of 2003 and 14,262 shares in the first quarter of 2004 to key employees. The issuance of these shares did not involve a sale of shares within the meaning of the federal securities laws, so no registration under the Securities Act was required.

Item 16. Exhibits and Financial Statement Schedules.

(a) *Exhibits.* The exhibits listed in the accompanying Exhibit Index are filed (except where otherwise indicated) as part of this Registration Statement.

(b) *Financial Statement Schedules.*

All schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is included in the consolidated financial statements and notes thereto.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on May 3, 2004.

W&T OFFSHORE, INC.

By: /s/ TRACY W. KROHN

Tracy W. Krohn
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated. Each person whose signature appears below constitutes and appoints Tracy W. Krohn and W. Reid Lea, and each of them individually, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any additional registration statement to be filed pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ TRACY W. KROHN **Tracy W. Krohn**	Chairman, Chief Executive Officer, President and Treasurer and Director (Principal Executive Officer)	May 3, 2004
/s/ W. REID LEA **W. Reid Lea**	Chief Financial Officer (Principal Financial Officer)	May 3, 2004
/s/ AMY M. BRUMFIELD **Amy M. Brumfield**	Controller (Principal Accounting Officer)	May 3, 2004
/s/ JEROME F. FREEL **Jerome F. Freel**	Director	May 3, 2004
/s/ STUART B. KATZ **Stuart B. Katz**	Director	May 3, 2004
/s/ JAMES L. LUIKART **James L. Luikart**	Director	May 3, 2004

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EXHIBIT INDEX

Exhibit Number	Document Description
1.1	Form of Underwriting Agreement.*
1.2	Form of Agreement among Underwriters.*
3.1	Form of Amended and Restated Articles of Incorporation of W&T Offshore, Inc. (to be filed with the Secretary of State of Texas immediately prior to the effective date of the initial public offering of W&T Offshore, Inc.
3.2	Form of Amended and Restated Bylaws of W&T Offshore, Inc., to become effective immediately prior to the effective date of the initial public offering of W&T Offshore, Inc.
4.1	Specimen Common Stock Certificate.
5	Opinion of Adams and Reese LLP.*
10.1	Amended and Restated Credit Agreement, dated February 24, 2000, by and among W&T Offshore, Inc., a Nevada corporation, Toronto Dominion (Texas), Inc., TD Securities (USA), Inc., Banc One Capital Markets, Inc., Meespierson Capital Corp. and certain additional financial institutions.
10.2	First Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated December 5, 2000, by and among W&T Offshore Inc., a Nevada corporation, The Toronto-Dominion Bank, Toronto Dominion (Texas), Inc. and certain additional financial institutions.
10.3	Second Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement), dated May 31, 2002, by and among W&T Offshore Inc., a Nevada corporation, The Toronto-Dominion Bank, Toronto Dominion (Texas), Inc. and certain additional financial institutions.
10.4	Third Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated December 2, 2002, by and among W&T Offshore, Inc., a Nevada corporation, The Toronto-Dominion Bank, Toronto Dominion (Texas), Inc. and certain additional financial institutions.
10.5	Fourth Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated May 22, 2003, by and among W&T Offshore, Inc., a Nevada corporation, The Toronto-Dominion Bank, Toronto Dominion (Texas), Inc. and certain additional financial institutions.
10.6	Fifth Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated December 12, 2003 by and among W&T Offshore, Inc., a Nevada corporation, The Toronto-Dominion Bank, Toronto Dominion (Texas), Inc. and certain additional financial institutions.
10.7	Waiver Letter Agreement dated March 26, 2004, by and among W&T Offshore, Inc., The Toronto-Dominion Bank, Toronto Dominion (Texas), Inc. and additional financial institutions.
10.8	Form of Indemnification and Hold Harmless Agreement dated as of April , 2004 between W&T Offshore, Inc. and each of its directors.
10.9	Employment Agreement dated April 21, 2004, by and between Tracy W. Krohn and W&T Offshore, Inc.
10.10	W&T Offshore, Inc. Long-Term Incentive Compensation Plan.
10.11	2004 Directors Compensation Plan of W&T Offshore, Inc.

Exhibit Number	Document Description
10.12	Exchange Agreement dated November 25, 2002, by and among W&T Offshore, Inc., and ING Furman Selz Investors III L.P., ING Barings U.S. Leveraged Equity Plan LLC, ING Barings Global Leveraged Equity Plan Ltd. and Jefferies & Company, Inc.
21	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Adams and Reese LLP (contained in Exhibit 5).
23.3	Consent of Netherland Sewell & Associates, Inc., Independent Petroleum Consultants.
24.1	Powers of Attorney (contained on the signature page hereto).

* To be filed by amendment.

EXHIBIT 3.1

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
W&T OFFSHORE, INC.

W&T Offshore, Inc. (the "Corporation"), pursuant to the provisions of Article 4.07 of the Texas Business Corporation Act, hereby adopts Amended and Restated Articles of Incorporation which accurately copy the Articles of Incorporation and all amendments thereto that are in effect to date and is further amended by such Amended and Restated Articles of Incorporation as hereinafter set forth which contain no other change in any provision thereof.

ARTICLE ONE

The name of the Corporation is W&T Offshore, Inc.

ARTICLE TWO

The Articles of Incorporation of the Corporation are amended by the Amended and Restated Articles of Incorporation as follows:

(A) Article IV of the Articles of Incorporation is hereby amended and restated to read as set forth in the Amended and Restated Articles of Incorporation.

(B) Article V of the Articles of Incorporation is hereby amended and restated to read as set forth in the Amended and Restated Articles of Incorporation.

(C) Article VI of the Articles of Incorporation is hereby amended and restated to read as set forth in the Amended and Restated Articles of Incorporation.

(D) Article VIII of the Articles of Incorporation is hereby amended and restated to read as set forth in the Amended and Restated Articles of Incorporation.

(E) Article IX of the Articles of Incorporation is hereby amended and restated to read as set forth in the Amended and Restated Articles of Incorporation.

(F) Article XI of the Articles of Incorporation is hereby amended and restated to read as set forth in the Amended and Restated Articles of Incorporation.

(G) Article XII of the Articles of Incorporation is hereby amended and restated to read as set forth in the Amended and Restated Articles of Incorporation.

(H) Article XIII of the Articles of Incorporation is hereby amended and restated to read as set forth in the Amended and Restated Articles of Incorporation.

ARTICLE THREE

(A) Each such amendment made by the Restated Articles of Incorporation has been effected in conformity with the provisions of the Texas Business Corporation Act and such Amended and Restated Articles of Incorporation and each such amendment made by the Amended and Restated Articles of Incorporation were duly adopted by the shareholders of the Corporation on the ___ day of _____ 2004.

(B) The Amended and Restated Articles of Incorporation accurately copies the Articles of Incorporation and all amendments thereto that are in effect to date and as further amended by the Amended and Restated Articles of Incorporation. The instrument contains no other changes.

ARTICLE FOUR

The number of shares outstanding was _____, and the number of shares entitled to vote on the Restated Articles of Incorporation as so amended was _____. All the shareholders have signed a written consent to the adoption of such Restated Articles of Incorporation as so amended pursuant to Article 9.10 of the Texas Business Corporation Act and any written notice required by Article 9.10 has been given.

ARTICLE FIVE

The Articles of Incorporation and all amendments and supplements thereto are hereby superseded by the following Amended and Restated Articles of Incorporation, which accurately copy unamended Articles and amend and restate

the amended articles as set forth above:

RESTATED ARTICLES OF INCORPORATION
OF
W&T OFFSHORE, INC.

ARTICLE I

NAME

The name of the corporation is W&T Offshore, Inc..

ARTICLE II

DURATION

The period of its duration is perpetual.

ARTICLE III

PURPOSE

The purpose or purposes for which the corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the Texas Business Corporation Act.

ARTICLE IV

AUTHORIZED CAPITAL

The aggregate number of shares of capital stock which the corporation shall have authority to issue is shares, of which shares shall be designated as Common Stock, par value $.00001 per share, and shares shall be designated as Preferred Stock, par value $.00001 per share.

The following is a statement fixing certain of the designations and rights, voting rights, preferences, and relative, participating, optional or other rights of the Preferred Stock and the Common Stock of the corporation, and the qualifications, limitations or restrictions thereof, and the authority with respect thereto expressly granted to the Board of Directors of the corporation to fix any such provisions not fixed by these Articles:

A. PREFERRED STOCK

The Board of Directors is hereby expressly vested with the authority to adopt a resolution or resolutions providing for the issuance of authorized but unissued shares of Preferred Stock, which shares may be issued from time to time in one or more series and

in such amounts as may be determined by the Board of Directors in such resolution or resolutions. The rights, voting rights, designations, preferences, and relative, participating, optional or other rights, if any, of each series of Preferred Stock and the qualifications, limitations or restrictions, if any, of such preferences and/or rights (collectively the "Series Terms"), shall be such as are stated and expressed in a resolution or resolutions providing for the creation or revision of such Series Terms (a "Preferred Stock Series Resolution") adopted by the Board of Directors. The Board shall have the power and authority, to the fullest extent permissible under the Texas Business Corporation Act (the "Act"), as currently in effect or as amended, to determine and establish by a Preferred Stock Series Resolution, the Series Terms of a particular series, including, without limitation, determination of the following:

(1) The number of shares constituting that series and the distinctive designation of that series, or any increase or decrease (but not below the number of shares thereof then outstanding) in such number;

(2) The dividend rate on the shares of that series; whether such dividends, if any, shall be cumulative, noncumulative, or partially cumulative and, if cumulative or partially cumulative, the date or dates from which dividends payable on such shares shall accumulate; and the relative rights of priority, if any, of payment of dividends on shares of that series;

(3) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(4) Whether that series shall have conversion privileges with respect to shares of any other class or classes of stock or of any other series of any class of stock, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate upon occurrence of such events as the Board of Directors shall determine;

(5) Whether the shares of that series shall be redeemable at the option of either the corporation or the holder, and, if so, the terms and conditions of such redemption, including relative rights of priority, if any, of redemption, the date or dates upon or after which they shall be redeemable, provisions regarding redemption notices, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(6) Whether the corporation shall have any repurchase obligation with respect to the shares of that series and, if so, the terms and conditions of such obligation, subject, however, to the limitations of the Act;

(7) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(8) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation, and the relative rights of priority, if any, of payment of shares of that series;

(9) The conditions or restrictions upon the creation of indebtedness of the corporation or upon the issuance of additional Preferred Stock or other capital stock ranking on a parity therewith, or prior thereto, with respect to dividends or distribution of assets upon liquidation;

(10) The conditions or restrictions with respect to the issuance of, payment of dividends upon, or the making of other distributions to, or the acquisition or redemption of, shares ranking junior to the Preferred Stock or to any series thereof with respect to dividends or distribution of assets upon liquidation;

(11) The relative priority of each series of Preferred Stock in relation to other series of Preferred Stock with respect to dividends or distribution of assets upon liquidation; and

(12) Any other designations, powers, preferences and rights, including, without limitation, any qualifications, limitations or restrictions thereof.

Any of the Series Terms, including voting rights, of any series may be made dependent upon facts ascertainable outside the Articles of Incorporation and the Preferred Stock Series Resolution, provided that the manner in which such facts shall operate upon such Series Terms is clearly and expressly set forth in the Articles of Incorporation or in the Preferred Stock Series Resolution.

Subject to the provisions of this Article Four, shares of one or more series of Preferred Stock may be authorized or issued from time to time as shall be determined by and for such consideration as shall be fixed by the Board of Directors, in an aggregate amount not exceeding the total number of shares of Preferred Stock authorized by the Articles of Incorporation. All shares of any one series of Preferred Stock so designated by the Board of Directors shall be alike in every particular, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative.

B. COMMON STOCK

1. DIVIDENDS. Subject to the provisions of any Preferred Stock Series Resolution, the Board of Directors may, in its discretion, out of funds legally available for the payment of dividends and at such times and in such manner as determined by the Board of Directors, declare and pay dividends on the Common Stock of the corporation.

No dividend (other than a dividend in capital stock ranking on a parity with the Common Stock or cash in lieu of fractional shares with respect to such stock dividend) shall be declared or paid on any share or shares of any class of

stock or series thereof ranking on a parity with the Common Stock in respect of payment of dividends for any dividend period unless there shall have been declared, for the same dividend period, like proportionate dividends on all shares of Common Stock then outstanding.

2. LIQUIDATION. In the event of any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary (each, a "Liquidation Event"), after payment or provision for payment of the debts and other liabilities of the corporation and payment or setting aside for payment of any preferential amount due to the holders of any other class or series of stock, the holders of the Common Stock shall be entitled to receive ratably any or all assets remaining to be paid or distributed.

3. VOTING RIGHTS. Subject to any special voting rights set forth in any Preferred Stock Series Resolution, the holders of the Common Stock of the corporation shall be entitled at all meetings of shareholders to one vote for each share of such stock held by them.

C. PRIOR, PARITY OR JUNIOR STOCK

Whenever reference is made in this Article Four to shares "ranking prior to" another class of stock or "on a parity with" another class of stock, such reference shall mean and include all other shares of the corporation in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions upon a Liquidation Event, as the case may be, are given preference over, or rank on an equality with, as the case may be, the rights of the holders of such other class of stock. Whenever reference is made to shares "ranking junior to" another class of stock, such reference shall mean and include all shares of the corporation in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions upon a Liquidation Event, as the case may be, are junior and subordinate to the rights of the holders of such class of stock.

Except as otherwise provided herein or in any Preferred Stock Series Resolution, each series of Preferred Stock ranks on a parity with each other with respect to the payment of dividends and distributions upon a Liquidation Event, and each ranks prior to the Common Stock with respect to the payment of dividends and distributions upon a Liquidation Event. Common Stock ranks junior to the Preferred Stock with respect to the payment of dividends and distributions upon a Liquidation Event.

D. LIQUIDATION

For the purposes of Section 2 of Section B of this Article Four and for the purpose of the comparable sections of any Preferred Stock Series Resolution, the merger or consolidation of the corporation into or with any other corporation, or the merger of any other corporation into it, or the sale, lease, or conveyance of all or substantially all the

assets, property or business of the corporation, shall not be deemed to be a liquidation, dissolution or winding up of the corporation.

E. RESERVATION AND RETIREMENT OF SHARES

The corporation shall at all times reserve and keep available, out of its authorized but unissued shares of Common Stock or out of shares of Common Stock held in its treasury, the full number of shares of Common Stock into which all shares of any series of Preferred Stock having conversion privileges from time to time outstanding are convertible.

Unless otherwise provided in a Preferred Stock Series Resolution with respect to a particular series of Preferred Stock, all shares of Preferred Stock redeemed or acquired (as a result of conversion or otherwise) shall be retired and restored to the status of authorized but unissued shares.

ARTICLE V

NO PREEMPTIVE RIGHTS

No holder of any shares of stock of the corporation shall be entitled as a matter of right to purchase or subscribe for any part of any shares of stock of the corporation authorized by these Articles or of any additional shares of stock of any class to be issued by reason of any increase in the authorized capital stock of the corporation, or of any bonds, certificates of indebtedness, debentures, warrants, options or other securities or rights convertible into any class of capital stock of the corporation, but any shares of stock authorized by these Articles or any such additional authorized issue of any capital stock, rights or securities convertible into any shares of such stock may be issued and disposed of by the Board of Directors to such persons, firms, corporations or associations for such consideration, upon such terms and in such manner as the Board of Directors may, in its discretion, determine without any offering thereof on the same terms or on any other terms to the shareholders then of

record or to any class of shareholders; provided only that such issuance may not be inconsistent with any provisions of law or with any of the provisions of these Articles.

ARTICLE VI

MEETINGS OF SHAREHOLDERS

An annual meeting of the shareholders shall be held at such times as may be stated or fixed in accordance with the bylaws. Special meetings may only be called (1) by the Chairman of the Board (if any), the President, the Board of Directors, or such other person or persons as may be authorized in the articles of incorporation or the bylaws or (2) by the holders of not less than thirty (30) percent of all the shares entitled to vote at the proposed special meeting. No action of the stockholders may be taken by written consent or consents of stockholders.

ARTICLE VII

LIMITATION OF LIABILITY

To the fullest extent permitted by applicable law, no director of this corporation shall be liable to the corporation or its shareholders for monetary damages for an act or omission in the director's capacity as director, except that this Article does not eliminate or limit the liability of a director for:

(a) a breach of a director's duty of loyalty to the corporation or its shareholders;

(b) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law;

(c) a transaction from which a director received an important benefit, whether or not the benefit resulted from an action taken within the scope of the director's office;

(d) an act or omission for which the liability of a director is expressly provided for by statute; or

(e) an act related to an unlawful stock repurchase or payment of a dividend.

If the Texas Miscellaneous Corporation Laws Act or any other statute is amended subsequently to the effective date of this Article VII to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the full extent permitted by such statute, as so amended.

Any repeal or modification of the foregoing paragraph by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

ARTICLE VIII

INDEMNIFICATION

(a) THE CORPORATION SHALL INDEMNIFY AND HOLD HARMLESS THE DIRECTORS (EACH, AN "INDEMNIFIED PERSON") TO THE FULLEST EXTENT PERMITTED BY LAW FROM AND AGAINST ANY AND ALL LOSSES, CLAIMS, DEMANDS, COSTS, DAMAGES, LIABILITIES, JOINT OR SEVERAL, EXPENSES OF ANY NATURE (INCLUDING REASONABLE ATTORNEYS' FEES AND DISBURSEMENTS), JUDGMENTS, FINES, SETTLEMENTS AND OTHER AMOUNTS ARISING FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, SUITS OR PROCEEDINGS, WHETHER CIVIL, CRIMINAL, ADMINISTRATIVE OR INVESTIGATIVE, IN WHICH

THE INDEMNIFIED PERSON MAY BE INVOLVED OR THREATENED TO BE INVOLVED, AS A PARTY OR OTHERWISE, ARISING OUT OF OR INCIDENTAL TO THE BUSINESS OR ACTIVITIES OF OR RELATING TO THE CORPORATION REGARDLESS OF WHETHER THE INDEMNIFIED PERSON CONTINUES TO BE A DIRECTOR AT THE TIME ANY SUCH LIABILITY OR EXPENSE IS PAID OR INCURRED. THE INDEMNIFICATION PROVIDED IN THIS ARTICLE VIII MAY NOT BE MADE TO OR ON BEHALF OF ANY DIRECTOR IF A FINAL ADJUDICATION ESTABLISHES THAT THE INDEMNIFIED PERSONS ACTS OR OMISSIONS INVOLVED INTENTIONAL MISCONDUCT, FRAUD OR A KNOWING VIOLATION OF THE LAW.

(b) EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES AND DISBURSEMENTS) INCURRED BY AN INDEMNIFIED PERSON IN DEFENDING ANY CLAIM, DEMAND, ACTION, SUIT, OR PROCEEDING SUBJECT TO THIS ARTICLE VIII SHALL, FROM TIME TO TIME, UPON REQUEST BY THE INDEMNIFIED PERSON, BE ADVANCED BY THE CORPORATION PRIOR TO THE FINAL DISPOSITION OF SUCH CLAIM, DEMAND, ACTION, SUIT OR PROCEEDING

UPON RECEIPT BY THE CORPORATION OF (I) A WRITTEN AFFIRMATION BY SUCH INDEMNIFIED PERSON OF HIS, HER OR ITS GOOD FAITH BELIEF THAT HE, SHE OR IT HAS MET THE STANDARD OF CONDUCT NECESSARY FOR INDEMNIFICATION UNDER THIS ARTICLE VIII AND (II) A WRITTEN UNDERTAKING, BY OR ON BEHALF OF SUCH INDEMNIFIED PERSON, TO REPAY SUCH AMOUNT IF IT SHALL ULTIMATELY BE DETERMINED, BY A COURT OF COMPETENT JURISDICTION THAT SUCH INDEMNIFIED PERSON IS NOT ENTITLED TO BE INDEMNIFIED AS AUTHORIZED IN THIS ARTICLE VIII OR OTHERWISE.

(c) ANY INDEMNIFICATION HEREUNDER SHALL BE SATISFIED ONLY OUT OF THE ASSETS OF THE CORPORATION, AND THE STOCKHOLDERS SHALL NOT BE SUBJECT TO PERSONAL LIABILITY BY REASON OF THESE INDEMNIFICATION PROVISIONS.

(d) AN INDEMNIFIED PERSON SHALL NOT BE DENIED INDEMNIFICATION IN WHOLE OR IN PART UNDER THIS ARTICLE VIII OR OTHERWISE BY REASON OF THE FACT THAT THE INDEMNIFIED PERSON HAD AN INTEREST IN THE TRANSACTION WITH RESPECT TO WHICH THE INDEMNIFICATION APPLIES IF THE TRANSACTION WAS OTHERWISE PERMITTED OR NOT EXPRESSLY PROHIBITED BY THE TERMS OF THESE ARTICLES OF INCORPORATION.

(e) THE PROVISIONS OF THIS ARTICLE VIII ARE FOR THE BENEFIT OF THE INDEMNIFIED PERSONS, THEIR HEIRS, SUCCESSORS, ASSIGNS AND ADMINISTRATORS AND SHALL NOT BE DEEMED TO CREATE ANY RIGHTS FOR THE BENEFIT OF ANY OTHER PERSON(S) OR ENTITY(IES).

ARTICLE IX

NO CUMULATIVE VOTING

Cumulative voting is expressly prohibited. At each election of directors every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him with respect to each of the persons nominated for election as a director and for whose election he has a right to vote; and no shareholder shall be entitled to cumulate his votes by giving one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of shares owned by such shareholder, or by distributing such votes on the same principle among any number of candidates.

ARTICLE X

REGISTERED OFFICE AND AGENT

The address of the corporation's current registered office is Eight Greenway Plaza, Suite 1330, Houston, Texas 77046 and the name of the current registered agent at such address is _____.

ARTICLE XI

BOARD OF DIRECTORS

The number of directors of the corporation shall be fixed by, or in the manner provided by, the bylaws. The number of directors constituting the current Board of Directors is four and the names and addresses of the persons who are to serve as the directors of the corporation until the next annual meeting of the shareholders or until their successors are elected and qualified are:

Tracy W. Krohn
Eight Greenway Plaza, Suite 1330
Houston, Texas 77046

Jerome F. Freel
3900 North Causeway Blvd

One Lakeway Center, Suite 1330
Metairie, LA 70002

James L. Luikart
Eight Greenway Plaza, Suite 1330
Houston, Texas 77046

Stuart B. Katz
Eight Greenway Plaza, Suite 1330
Houston, Texas 77046

ARTICLE XII

CREATION PURSUANT TO CONVERSION

The Corporation was incorporated pursuant to a plan of conversion whereby W&T Offshore, Inc., a Nevada corporation (the "converting entity"), was converting into W&T Offshore, Inc., a Texas corporation (the "converted

entity"). The converting entity was incorporated in Nevada on March 7, 1988. The address of the converting entity is Eight Greenway Plaza, Suite 1330, Houston, Texas 77046, which remained the address of the converted entity.

ARTICLE XIII

BYLAWS

The Board of Directors is expressly authorized to adopt, amend and repeal the bylaws. The corporation's shareholders are hereby expressly prohibited from amending or repealing the bylaws.

DATED as of the ___ day of _____ 2003.

W&T OFFSHORE, INC.

By:

Tracy W. Krohn, President

EXHIBIT 3.2

AMENDED AND RESTATED

BYLAWS

OF

W&T OFFSHORE, INC.

A TEXAS CORPORATION

AMENDED AND RESTATED

BYLAWS

OF

W&T OFFSHORE, INC.

A TEXAS CORPORATION

ARTICLE I.

REGISTERED OFFICE

The registered office of the Corporation required by the Texas Business Corporation Act to be maintained in the State of Texas shall be the registered office named in the original Articles of Incorporation of the Corporation or such other office (which need not be a place of business of the Corporation) as may be designated from time to time by the Board of Directors in the manner provided by law.

ARTICLE II.

SHAREHOLDERS

Section 1. Place of Meetings. All meetings of the shareholders shall be held at the principal place of business of the Corporation or at such other place within or without the State of Texas as shall be specified or fixed in the notices or waivers of notice thereof.

Section 2. Quorum; Required Vote for Shareholder Action; Adjournment of Meetings. Unless otherwise required by law or provided in the Articles of Incorporation or these bylaws, the holders of issued and outstanding shares representing a majority of the votes entitled to be cast thereat, present in person or represented by proxy, shall constitute a quorum at any meeting of shareholders for the transaction of business, and the act of a majority of the voting power of such stock so represented at any meeting of shareholders at which a quorum is present shall constitute the act of the meeting of shareholders.

Notwithstanding the other provisions of the Articles of Incorporation or these bylaws, the chairman of the meeting or the holders of a majority of the voting power of the issued and outstanding stock present in person or represented by proxy at any meeting of shareholders, whether or not a quorum is present, shall have the power to adjourn such meeting from time to time, without any notice other than announcement at the meeting of the time and place of the holding of the adjourned meeting. At such adjourned meeting

any business may be transacted that might have been transacted at the meeting as originally called.

Section 3. Annual Meetings. An annual meeting of the shareholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, within or without the State of Texas, on such date and at such time as the Board of Directors shall fix and set forth in the notice of the meeting, which date shall be within 13 months subsequent to the date of incorporation or the last annual meeting of shareholders, whichever most recently occurred.

Section 4. Special Meetings. Unless otherwise provided in the Articles of Incorporation, special meetings of the shareholders for any proper purpose or purposes may be called at any time by (a) the Chairman of the Board (if any), the President, the Board of Directors, or such other person or persons as may be

authorized in the Articles of Incorporation or these Bylaws or (b) unless the Articles of Incorporation provide otherwise, the holders of issued and outstanding shares representing at least thirty percent of all the votes entitled to be cast at the proposed special meeting.

If not otherwise stated in or fixed in accordance with the remaining provisions hereof, the record date for determining shareholders entitled to call a special meeting is the date any shareholder first signs the notice of that meeting.

Only business within the purpose or purposes described in the notice (or waiver thereof) required by these bylaws may be conducted at a special meeting of the shareholders.

Section 5. Closing Transfer Books; Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive a distribution by the Corporation (other than a distribution involving a purchase or redemption by the Corporation of any of its own shares) or share dividend, or in order to make a determination of shareholders for any other purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, 60 days nor be less than 10 days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days immediately preceding such meeting.

In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than 60 days and, in the case of a meeting of shareholders, not less than ten days, prior to the date on which the particular action requiring such determination of shareholders is to be taken.

If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders,

or shareholders entitled to receive a distribution (other than a distribution involving a purchase or redemption by the Corporation of any of its own shares) or a share dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such distribution or share dividend is adopted, as the case may be, shall be the record date for such determination of shareholders.

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided herein, such determination shall also apply to any adjournment thereof except where the determination has been made through the closing of stock transfer books and the stated period of closing has expired.

Section 6. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary or the officer or person calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, any such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

Any notice required to be given to any shareholder, under any provision of the Texas Business Corporation Act or the Articles of Incorporation or these bylaws need not be given to the shareholder if (a) notice of two consecutive annual meetings and all notices of meetings held during the period between those annual meetings, if any, or (b) all (but in no event less than two) payments of distributions or interest on securities during a 12-month period have been mailed to that person by first-class mail, addressed to him at his address as shown on the records of the Corporation, and have been returned undeliverable. Any action or meeting taken or held without notice to such person shall have the same force and effect as if the notice had been duly given and, if the action taken by the Corporation is reflected in any articles or document filed with the Secretary of State, those articles or that document may state that notice was duly given to all persons to whom notice was required to be given. If such a person delivers to the Corporation written notice setting forth his then current address, the requirement that notice be given to that person shall be reinstated.

Section 7. Voting List. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten days before each meeting of shareholders, a complete list of the shareholders

entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer books shall be prima-facie evidence as to who are the shareholders entitled to

examine such list or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this Section shall not affect the validity of any action taken at such meeting.

Section 8. Proxies. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. Proxies for use at any meeting of shareholders or in connection with the taking of any action by written consent shall be filed with the Secretary, or such other officer as the Board of Directors may from time to time determine by resolution, before or at the time of the meeting or execution of the written consent, as the case may be. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by the secretary of the meeting who shall decide all questions touching upon the qualification of voters, the validity of the proxies, and the acceptance or rejection of votes, unless an inspector or inspectors shall have been appointed by the chairman of the meeting, in which event such inspector or inspectors shall decide all such questions.

No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and the proxy is coupled with an interest. Proxies coupled with an interest shall include the appointment as proxy of any of the persons set forth in the Texas Business Corporation Act, including without limitation:

(a) a pledgee;

(b) a person who purchased or agreed to purchase, or owns or holds an option to purchase, the shares;

(c) a creditor of the Corporation who extended it credit under terms requiring the appointment;

(d) an employee of the Corporation whose employment contract requires the appointment; or

(e) a party to a voting agreement executed under Section B, Article 2.30 of the Texas Business Corporation Act.

Should a proxy designate two or more persons to act as proxies, unless such instrument shall provide to the contrary, a majority of such persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, the Corporation shall not be required to recognize such proxy with respect to such issue if such proxy does not specify how the shares that are the subject of such proxy are to be voted with respect to such issue.

Section 9. Voting; Elections; Inspectors. Unless otherwise required by law or provided in the Articles of Incorporation, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

All voting, except as required by the Articles of Incorporation or where otherwise required by law, may be by a voice vote; provided, however, that a vote by ballot shall be taken upon demand therefor by shareholders holding issued and outstanding shares representing a majority of the voting power present in person or by proxy at any meeting. Every vote by ballot shall be taken by written ballots, each of which shall state the name of the shareholder or proxy voting and such other information as may be required under the procedure established for the meeting.

At any meeting at which a vote is taken by ballots, the chairman of the meeting may appoint one or more inspectors, each of whom shall subscribe an oath or affirmation to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. Such inspector shall receive the ballots, count the votes and make and sign a certificate of the result thereof. The chairman of the meeting may appoint any

person to serve as inspector, except no candidate for the office of director shall be appointed as an inspector.

At each election of directors each shareholder entitled to vote thereat shall, unless otherwise provided by law or by the Articles of Incorporation, have the right to vote the number of shares owned by him for as many persons as there are to be elected and for whose election he has a right to vote. Unless expressly prohibited by the Articles of Incorporation, a shareholder shall have the right to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by his shares shall equal, or by distributing such votes on the same principle among any number of such candidates. Any shareholder who intends to cumulate his votes shall give written notice of such intention to the Secretary of the Corporation on or before the day preceding the election at which such shareholder intends to cumulate his votes. Any shareholder may cumulate his votes if such shareholder or any other shareholder gives the written notice provided for herein.

Section 10. Conduct of Meetings. All meetings of the shareholders shall be presided over by the chairman of the meeting, who shall be the Chairman of the Board (if any), or if he is not present, the President, or if neither the Chairman of the Board (if any) nor President is present, a chairman elected at the meeting. The Secretary of the Corporation, if present, shall act as secretary of such meetings, or if he is not present, an Assistant Secretary (if any) shall so act; if neither the Secretary nor an Assistant Secretary (if any) is present, then a secretary shall be appointed by the chairman of the meeting. The chairman of any meeting of shareholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order.

Section 11. Treasury Shares. Neither the Corporation nor any other person shall vote, directly or indirectly, at any meeting, shares of the Corporation's own stock owned by the Corporation, shares of the Corporation's own stock owned by another corporation the majority of the voting stock of which is owned or controlled by the Corporation, and shares of the Corporation's own stock held by the Corporation in a fiduciary capacity; and such shares shall not be counted in determining the total number of outstanding shares at any given time.

Section 12. Notice of Shareholder Business and Nominations.

(a) Annual Meetings of Shareholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at such meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (c) of paragraph (a)(1) of Section 12 of this Bylaw, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as described above. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial

owner, if any, on whose behalf the proposal is made; and (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class or series and number of shares of the Corporation which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of Section 12 of this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement of the increased Board is first made by the Corporation.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any such shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (a)(2) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a shareholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors, and only such business shall be conducted at a meeting of shareholders as shall have been brought

before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (a) of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (b) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

ARTICLE III.

BOARD OF DIRECTORS

Section 1. Power; Number; Term of Office; Election Procedures. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and shareholders:

The number and terms of the members of board of directors of the Corporation and the procedures to elect directors, to remove directors, and to fill vacancies in the board of directors shall be as follows:

(a) Unless otherwise provided in the Articles of Incorporation, the number of directors that shall constitute the whole board of directors shall from time to time be fixed exclusively by the board of directors by a resolution adopted by a majority of the whole board of directors serving at the time of that vote. Except in the event of a vacancy contemplated by Section 1(c) of this Article III, in no event shall the number of directors that constitute the whole board of directors be fewer than three. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Directors of the Corporation need not be elected by written ballot unless the by-laws of the Corporation otherwise provide. Unless otherwise provided in the Articles of Incorporation, directors need not be shareholders of the Corporation or residents of the State of Texas.

(b) Except as otherwise required by law, the articles of incorporation of the Corporation, or these by-laws, the directors shall be elected at an annual meeting of stockholders at which a quorum is present. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote on the election of directors. Each director so chosen shall hold office until the first annual meeting of stockholders held after his election and until his successor is elected and qualified or, if earlier, until his death, resignation, or removal from office.

(c) Vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office, or other cause and newly- created directorships resulting from any increase in the authorized number of directors may be filled by no less than a majority vote of the remaining directors then in office, though less than a quorum, and shall hold office until the first meeting of shareholders held after his election for the purpose of electing directors and until his successor is elected and qualified or until his earlier death, resignation, or removal from office. Any such vacancies which result in the number of directors being less than three shall be promptly filled according to the procedures set forth in this paragraph.

(d) A director of the Corporation may be removed before the expiration date of that director's term of office only for cause, by an affirmative vote of the holders of more than 60% of the outstanding shares of stock then entitled to be voted at an election of directors, cast at the annual meeting of shareholders or at any special meeting of shareholders called by a majority of the whole board of directors for this purpose.

Section 2. Quorum; Required Vote for Director Action. Unless otherwise required by law or provided in the Articles of Incorporation or these bylaws, a majority of the total number of directors shall constitute a quorum for the transaction of business of the Board of Directors, and the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3. Meetings; Order of Business. Meetings of the Board of Directors may be held at such place or places as shall be determined from time to time by resolution of the Board of Directors. At all meetings of the Board of Directors business shall be transacted in such order as shall from time to time be determined by the Chairman of the Board (if any), or in his absence by the President (if the President is director), or by resolution of the Board of Directors.

Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business an the ground that the meeting is not lawfully called or convened.

Section 4. First Meeting. In connection with any annual meeting of shareholders at which directors were elected, the Board of Directors may, if a quorum is present, hold

its first meeting for the transaction of business immediately after and at the

same place as such annual meeting of the shareholders. Notice of such meeting at such time and place shall not be required.

Section 5. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board (if any), the President or, on the written request of any one director, by the Secretary, in each case on at least 24 hours personal, written, telegraphic, cable or wireless notice to each director. Such notice, or any waiver thereof pursuant to Article VIII, Section 3 hereof, need not state the purpose or purposes of such meeting, except as may otherwise be required by law or provided for by the Articles of Incorporation or these bylaws.

Section 7. Compensation. Unless restricted by the Articles of Incorporation, the Board of Directors shall have the authority to fix the compensation, if any, of directors.

Section 8. Presumption of Assent. A director who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 9. Approval or Ratification of Acts or Contracts by Shareholders. The Board of Directors in its discretion may submit any act or contract for approval or ratification at any annual meeting of the shareholders, or at any special meeting of the shareholders called for the purpose of considering any such act or contract, and any act or contract that shall be approved or be ratified by the vote of the shareholders holding a majority of the issued and outstanding shares of stock of the Corporation entitled to vote and present in person or by proxy at such meeting (provided that a quorum is present), shall be as valid and as binding upon the Corporation and upon all the shareholders as if it shall have been approved or ratified by every shareholder of the Corporation.

ARTICLE IV.

COMMITTEES

Section 1. Designation; Powers. The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members one or more committees, each of which, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors, except that no such committee shall have the authority of the Board of Directors in reference to amending the

Articles of Incorporation, approving a plan of merger or consolidation, recommending to the shareholders the sale, lease, or exchange of all or substantially all of the property and assets of the Corporation otherwise than in the usual and regular course of its business, recommending to the shareholders a voluntary dissolution of the Corporation or a revocation thereof, amending, altering, or repealing these bylaws or adopting new bylaws for the Corporation, filling vacancies in the Board of Directors or any such committee, filling any directorship to be filled by reason of an increase in the number of directors, electing or removing officers of the Corporation or members of any such committee, fixing the compensation of any member of such committee, or altering or repealing any resolution of the Board of Directors that by its terms provides that it shall not be so amendable or repealable in such manner; and, unless such resolution or the Articles of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of shares of the Corporation.

Section 2. Procedure; Meetings; Quorum. Any committee designated pursuant to Section 1 of this Article shall choose its own chairman and secretary, shall keep regular minutes of its proceedings and report the same to the Board of Directors when requested, shall fix its own rules or procedures, and shall meet at such times and at such place or places as may be provided by such rules, or by resolution of such committee or of the Board of Directors. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution.

Section 3. Substitution of Members. The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate

one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

Section 4. Dissolution. The Board of Directors may dissolve any committee at any time, unless otherwise provided in the Articles of Incorporation or these bylaws.

ARTICLE V.

OFFICERS

Section 1. Number, Titles and Term of Office. The officers of the Corporation shall be a President and a Secretary and such other officers as the Board of Directors may from time to elect or appoint, including, without limitation, a chairman of the Board, one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President), a Treasurer, one or more Assistant Treasurers and one or more Assistant Secretaries. Each officer shall hold office until his successor shall be duly elected and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same person. Except for the Chairman of the Board, if any, no officer need be a director.

Section 2. Salaries. The salaries or other compensation, if any, of the officers and agents of the Corporation shall be fixed from time to time by the Board of Directors.

Section 3. Removal. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed, either with or without cause, by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights.

Section 4. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 5. Powers and Duties of the Chief Executive Officer. The President shall be the chief executive officer of the Corporation unless the Board of Directors designates the Chairman of the Board (if any) or other officer as chief executive officer. Subject to the control of the Board of Directors, the chief executive officer shall have general executive charge, management and control of the properties, business and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; he may agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation and may sign all certificates for shares of capital stock of the Corporation; and he shall have such other powers and duties as designated in accordance with these bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 6. Powers and Duties of the Chairman of the Board. The chairman of the Board (if any) shall preside at all meetings of the shareholders and of the Board of Directors; and the Chairman shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 7. Powers and Duties of the President. Unless the Board of Directors otherwise determines, the President shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation; and, unless the Board of Directors otherwise determines, he shall, in the absence of the Chairman of the Board or if there be no Chairman of the Board, preside at all meetings of the shareholders and (should he be a director) of the Board of Directors; and the President shall have such other powers and duties as designated in accordance with these bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 8. Vice Presidents. The Vice President(s), if any, shall perform such duties and have such powers as the Board of Directors may from time to time prescribe. In addition, in the absence of the Chairman of the Board (if any) or President, or in the event of their inability or refusal to act, (i) a Vice President designated by the Board of Directors or (ii) in the absence of such designation, the Vice President who is present and

who is senior in terms of time as a Vice President of the Corporation, shall perform the duties of the Chairman of the Board (if any), or the President, as the case may be, and when so acting shall have all the powers of and be subject

to all the restrictions upon the Chairman of the Board (if any), or the President; provided that he shall not preside at meetings of the Board of Directors unless he is a director.

Section 9. Treasurer. The Treasurer, if any, shall have responsibility for the custody and control of all the funds and securities of the Corporation, and he shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Board of Directors. He shall perform all acts incident to the position of Treasurer subject to the control of the chief executive officer and the Board of Directors; and the Treasurer shall, if required by the Board of Directors, give such bond for the faithful discharge of his duties in such form as the Board of Directors may require.

Section 10. Assistant Treasurers. Each Assistant Treasurer, if any, shall have the usual powers and duties pertaining to his office, together with such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the chief executive officer or the Board of Directors or the Treasurer. The Assistant Treasurers shall exercise the powers of the Treasurer during that officer's absence or inability or refusal to act.

Section 11. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors, and the minutes of all meetings of the shareholders, in books provide d for that purpose; he shall attend to the giving and serving of all notices; he may in the name of the Corporation affix the seal (if any) of the Corporation to all contracts of the Corporation and attest thereto; he may sign with the other appointed officers all certificates for shares of capital stock of the Corporation; he shall have charge of the certificate books, transfer books and stock ledgers, and such other books and papers as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection of any director upon application at the office of the Corporation during business hours; he shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the chief executive officer or the Board of Directors; and he shall in general perform all duties incident to the office of Secretary, subject to the control of the chief executive officer and the Board of Directors.

Section 12. Assistant Secretaries. Each Assistant Secretary, if any, shall have the usual powers and duties pertaining to his office, together with such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the chief executive officer or the Board of Directors or the Secretary. The Assistant Secretaries shall exercise the powers of the Secretary during that officer's absence or inability or refusal to act.

Section 13. Action With Respect to Securities of Other Corporations. Unless otherwise directed by the Board of Directors, each of the chief executive officer and the Treasurer (if any), or either of them, shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of shareholders of or with

respect to any action of shareholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE VI.

INDEMNIFICATION OF DIRECTORS

Section 1. Right to Indemnification. Subject to the limitations and conditions as provided in this Article VI, the Corporation shall indemnify and hold harmless the directors (each, an "Indemnified Person") to the fullest extent permitted by law from and against any and all losses, claims, demands, costs, damages, liabilities, joint or several, expenses of any nature (including reasonable attorneys' fees and disbursements), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which the Indemnified Person may be involved or threatened to be involved, as a party or otherwise, arising out of or incidental to the business or activities of or relating to the Corporation regardless of whether the Indemnified Person continues to be a Director at the time any such liability or expense is paid or incurred. The indemnification provided in this Article VIII may not be made to or on behalf of any Director if a final adjudication establishes that the indemnified persons acts or omissions involved intentional misconduct, fraud or a knowing violation of the law. and indemnification under this Article VI shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. The rights granted pursuant to this Article VI shall be deemed contract rights, and no amendment, modification or repeal of this Article VI shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article VI could involve indemnification for negligence or under theories of strict liability.

Section 2. Advance Payment. The right to indemnification conferred in this Article VI shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by a person of the type entitled to be indemnified under Section 1 who was, is or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without any determination as to the person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of a written affirmation by such director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article VI and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Article VI or otherwise.

Section 3. Appearance as a Witness. Notwithstanding any other provision of this Article VI, the Corporation may pay or reimburse expenses incurred by a director or officer in connection with his or her appearance as a witness or other participation in a proceeding at a time when he or she is not a named defendant or respondent in the proceeding.

Section 4. Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VI shall not be exclusive of any other right which a director or officer or other person indemnified pursuant to Section 3 of this Article VI may have or hereafter acquire under any law (common or statutory), provision of the Articles of Incorporation of the Corporation or these bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

Section 5. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, proprietorship, employee benefit plan, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article VI.

Section 6. Shareholder Notification. To the extent required by law, any indemnification of or advance of expenses to a director or officer in accordance with this Article VI shall be reported in writing to the shareholders with or before the notice or waiver of notice of the next shareholders' meeting or with or before the next submission to shareholders of a consent to action without a meeting and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

Section 7. Savings Clause. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director, officer or any other person indemnified pursuant to this Article VI as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VI. that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VII.

CAPITAL STOCK

Section 1. Certificates of Stock. The certificates for shares of the capital stock of the Corporation shall be in such form, not inconsistent with that required by law and the Articles of Incorporation, as shall be approved by the Board of Directors. The Chairman of the Board (if any), President or a Vice President (if any) shall cause to be issued to

each shareholder one or more certificates, which shall be signed by the Chairman of the Board (if any), President or a Vice President (if any) and the Secretary or an Assistant Secretary (if any) or the Treasurer or an Assistant Treasurer (if any) certifying the number of shares (and, if the stock of the Corporation shall be divided into classes or series, the class and series of such shares) owned by such shareholder in the Corporation; provided, however, that any of or all the signatures on the certificate may be facsimile. If the Board of Directors shall have provided for a seal, such certificates shall bear such seal or a facsimile thereof. The stock record books and the blank stock certificate books shall be kept by the Secretary, or at the office of such transfer agent or

transfer agents as the Board of Directors may from time to time by resolution determine. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature or signatures shall have been placed upon any such certificate or certificates shall have ceased to be such officer, transfer agent or registrar before such certificate is issued by the Corporation, such certificate may nevertheless be issued by the Corporation with the same affect as if such person were such officer, transfer agent or registrar at the date of issue. The stock certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued and shall exhibit the holder's name and number of shares.

Each certificate shall conspicuously bear any legend required pursuant to Article 2.19 or Article 2.22 of the Texas Business Corporation Act, as well as any other legend required by law.

Section 2. Transfer of Shares. The shares of stock of the Corporation, shall be transferable only on the books of the Corporation by the holders thereof in person or by their duly authorized attorneys or legal representatives, upon surrender and cancellation of certificates for a like number of shares (or upon compliance with the provisions of Section 5 of this Article VII, if applicable). Upon such surrender to the Corporation or a transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer (or upon compliance with the provisions of Section 5 of this Article VII, if applicable) and of compliance with any transfer restrictions applicable thereto contained in an agreement to which the Corporation is a party or of which the Corporation has knowledge by reason of legend with respect thereto placed an any such surrendered stock certificate, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. Ownership of Shares. The Corporation shall be entitled to treat the holder of record of any share or shares of capital stock of the Corporation as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 4. Regulations Regarding Certificates. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem

expedient concerning the issue, transfer and registration or the replacement of certificates for shares of capital stock of the Corporation.

Section 5. Lost, Stolen, Destroyed or Mutilated Certificates. The Board of Directors may determine the conditions upon which a new certificate of stock may be issued in place of a certificate that is alleged to have been lost, stolen, destroyed or mutilated; and may, in its discretion, require the owner of such certificate or his legal representative to give bond, with sufficient surety, to indemnify the Corporation and each transfer agent and registrar against any and all losses or claims which may arise by reason of the issuance of a new certificate in the place of the one so lost, stolen, destroyed or mutilated.

ARTICLE VIII.

MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Corporation shall be such as established from time to time by the Board of Directors.

Section 2. Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation. The Secretary shall have charge of the seal (if any). If and when so directed by the Board of Directors, duplicates of the seal may be kept and used by the Treasurer, if any, or by any Assistant Secretary or Assistant Treasurer.

Section 3. Notice and Waiver of Notice. Whenever any notice is required to be given by law, the Articles of Incorporation or these bylaws, except with respect to notices of meetings of shareholders (with respect to which the provisions of Article II, Section 6 apply) and except with respect to notices of special meetings of directors (with respect to which the provisions of Article VIII, Section 6 apply), said notice shall be deemed to be sufficient if given (a) by telegraphic, cable or wireless transmission or (b) by deposit of same in a post office box in a sealed prepaid wrapper addressed to the person entitled thereto at his address as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such transmission or mailing, as the case may be.

Whenever notice is required to be given by law, the Articles of Incorporation or these bylaws, a written waiver thereof, signed by the person

entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 4. Resignations. Any director, member of a committee or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the chief executive officer or secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Facsimile Signatures. In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

Section 6. Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and Board of Directors and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of the shares held by each. Any books, records and minutes may be in written form or in any other form capable of being converted into written form within a reasonable time.

Section 7. Reliance Upon Books, Reports and Records. Neither a director nor a member of any committee of directors shall be liable if, in the exercise of ordinary care, he relied and acted in good faith (a) upon financial statements or other information of the Corporation represented to him to be correct in all material respects by the President or by the officer of the Corporation having charge of its books of account, or reported by an independent public or certified public accountant or firm of such accountants to present fairly the financial position of the Corporation, or (b) upon the written opinion of an attorney for the Corporation; nor shall he be so liable if, in the exercise of ordinary care and in good faith, in voting for or assenting to a distribution by the Corporation, he considered the assets of the Corporation to be of their book value.

Section 8. Action Without a Meeting or by Telephone Conference Meeting. Any action permitted or required by law, the Articles of Incorporation or these bylaws, to be taken at a meeting of the shareholders, the Board of Directors or any committee designated by the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action to be taken is signed by all the shareholders or members of the Board of Directors or committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting and may be stated as such in any document or instrument filed with the Secretary of State, and the execution of such consent shall constitute attendance or presence in person at a meeting of shareholders, the Board of Directors or any such committee, as the case may be. Subject to the requirements by law, the Articles of Incorporation or these bylaws for notice of meetings, unless otherwise restricted by the Articles of Incorporation, members of the Board of Directors, or members of any committee designated by the Board of Directors, may participate in and hold a meeting of such Board of Directors or any committee of directors, as the case may be, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting shall constitute attendance and presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE IX.

AMENDMENTS

The Board of Directors may amend or repeal the Corporation's bylaws, or adopt new bylaws, unless: (a) the Articles of Incorporation or the Texas Business Corporation Act reserves the power exclusively to the shareholders in whole or part; or (b) the shareholders, in amending, repealing or adopting a particular bylaw, expressly provide that the Board of Directors may not amend or repeal that bylaw.

Unless the Articles of Incorporation or a bylaw adopted by the shareholders provides otherwise as to all or some portion of the Corporation's bylaws, the Corporation's shareholders may amend, repeal or adopt the Corporation's bylaws even though the bylaws may also be amended, repealed or adopted by the Board of Directors.

<TABLE>
<S> <C>

COMMON STOCK COMMON STOCK

PAR VALUE $.00001 THIS CERTIFICATE IS TRANSFERRABLE IN

NEW YORK, NY OR CHICAGO, IL

[LOGO] W&T OFFSHORE
INCORPORATED

Certificate Shares
Number

600620****
ZQ 000215
600620**

****600620****

*****600620***

******600620**

W&T OFFSHORE, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF TEXAS

THIS CERTIFIES THAT ** Mr. Alexander David Sample ****
MR. SAMPLE & MRS. SAMPLE & MR. SAMPLE & MRS. SAMPLE

CUSIP XXXXXX XX X

SEE REVERSE FOR CERTAIN DEFINITIONS

is the owner of **600620** Shares

* * * SIX HUNDRED THOUSAND SIX HUNDRED AND TWENTY* * *

FULLY-PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF W&T Offshore, Inc. (hereinafter called the "Company"), transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Articles of Incorporation, as amended, and the Amended and Restated By-Laws, as amended, of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

/s/ [ILLEGIBLE]
President

[SEAL] W&T OFFSHORE, INC.
TEXAS

DATED (Month, Day, Year)
COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE INVESTOR SERVICES, LLC.
(CHICAGO)
TRANSFER AGENT AND REGISTRAR,

/s/ [ILLEGIBLE]
Secretary

By _____
AUTHORIZED SIGNATURE

SECURITY INSTRUCTIONS ON REVERSE
</TABLE>

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<S> <C>

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

UNIF GIFT MIN ACT- . . . . . .Custodian . . . . . .
. . . . .
(Cust)
(Minor)
under Uniform Gifts to Minors Act . . . . .
</TABLE>

. . . . . .

(State)

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF TRF MIN ACT . . . . . .Custodian (until age. . .). . . .
(Cust) (Minor)
under Uniform Transfers to Minors Act. . .
. . . . . .

(State)

Additional abbreviations may also be used though not in the above list.

For value received, _____hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE ----------

_____
_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

_____
_____

_____
_____

_____
_____ Shares
of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____
_____ Attorney
to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated: _____20_____
Signature:_____

Signature(s) Guaranteed:
Signature:_____

MUST CORRESPOND
BY:_____
FACE OF THE
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE
WITHOUT
GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and
CHANGE WHATEVER.
Loan Associations and Credit Unions) WITH MEMBERSHIP IN
AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM,
PURSUANT TO S.E.C. RULE 17Ad-15.
</TABLE>

Notice: THE SIGNATURE TO THIS ASSIGNMENT
WITH THE NAME AS WRITTEN UPON THE
CERTIFICATE, IN EVERY PARTICULAR,
ALTERATION OR ENLARGEMENT, OR ANY

SECURITY INSTRUCTIONS
THIS IS WATERMARKED PAPER, DO NOT ACCEPT WITHOUT NOTING [GRAPHIC]
WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.

EXHIBIT 10.1

[EXECUTION]
[Revolving Credit Agreement]

==========

AMENDED AND RESTATED CREDIT AGREEMENT

W&T OFFSHORE, INC.
as Borrower

TORONTO DOMINION (TEXAS), INC.
as Agent

TD SECURITIES (USA), INC.
BANC ONE CAPITAL MARKETS, INC.
as Co-Arrangers

BANC ONE CAPITAL MARKETS, INC.
as Syndication Agent

MEESPIERSON CAPITAL CORP.
as Documentation Agent

and

CERTAIN FINANCIAL INSTITUTIONS
as Lenders

$110,000,000
February 24, 2000

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EXHIBIT 10.1

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") is made as of February 24, 2000, by and among W&T Offshore, Inc., a Nevada corporation (herein called "Borrower"), Toronto Dominion (Texas), Inc. ("TD (Texas)"), individually and as agent (herein called "Agent"), and the Lenders referred to below. In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

ARTICLE I - Definitions and References

Section 1.1. Defined Terms. As used in this Agreement, each of the following terms has the meaning given it in this Section 1.1 or in the sections and subsections referred to below:

"ABR Loan" means a Loan which does not bear interest at the Eurodollar Rate.

"ABR Payment Date" means (i) the last Business Day of March, June, September and December of each year, beginning March 31, 2000, and (ii) any day on which past due interest or principal is owed under the Notes and is unpaid. If the terms of any Loan Document provide that payments of interest or principal on the Notes shall be deferred from one ABR Payment Date to another day, such other day shall also be an ABR Payment Date.

"Acquisition Agreement" means that certain credit agreement of even date herewith among Borrower, as borrower, TD (Texas), as agent, and Lenders providing for the Acquisition Commitment, as from time to time amended, supplemented, or restated.

"Acquisition Agreement Obligations" means all Liabilities from time to time owing by Borrower to any Lender Party under or pursuant to any of the Acquisition Loan Documents. "Acquisition Agreement Obligation" means any part of

the Acquisition Agreement Obligations.

"Acquisition Commitment" means the "Commitment" as defined in the Acquisition Agreement.

"Acquisition Loan Documents" means the Acquisition Agreement, the Acquisition Notes, all other "Loan Documents" (as such term is defined in the Acquisition Agreement), and all other promissory notes, security documents, agreements, certificates, documents, instruments and writings at any time delivered in connection therewith.

"Acquisition Notes" means each Lender's "Note", as defined in Section 1.1 of the Acquisition Agreement.

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(a) to vote 20% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agent" means TD (Texas), as Agent hereunder, and its successors in such capacity.

"Agreement" means this Credit Agreement.

"Alternate Base Rate" means (i) at all times when no Obligation is past due, the per annum rate equal to the Base Rate Margin plus the higher of (a) the Prime Rate or (b) the Federal Funds Rate plus one-half percent (0.5%) per annum, and (ii) at all other times, the per annum rate of interest two percent (2%) above the interest rate that would otherwise be in effect pursuant to the immediately preceding clause (i). If the Prime Rate or the Federal Funds Rate changes after the date hereof the Alternate Base Rate shall be automatically increased or decreased, as the case may be, without notice to Borrower, from time to time as of the effective time of each such change. The Alternate Base Rate shall in no event, however, exceed the Highest Lawful Rate.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of ABR Loans and such Lender's Eurodollar Lending Office in the case of Eurodollar Loans.

"Arm's Length Transaction" means, with respect to any transaction between a Restricted Person and one of its Affiliates, that the terms thereof are no less favorable to such Restricted Person than those which could have been obtained at the time of such transaction in arm's-length dealing with Persons other than such Affiliate.

"Available Distribution Amount" has the meaning given to such term in Section 7.6.

"Base Rate Margin" means:

(a) zero when the Facility Usage on such day is less than fifty percent (50%) of the Borrowing Base on such day, and

(b) one-fourth of one percent (0.25%) per annum when the Facility Usage on such day is greater than or equal to fifty percent (50%) of the Borrowing Base on such day, but less than seventy-five percent (75%) of the Borrowing Base on such day, and

(c) one-half of one percent (0.50%) per annum when the Facility Usage on such day is greater than or equal to seventy-five percent (75%) of the Borrowing Base on such day, but less than ninety percent (90%) of the Borrowing Base on such day, and

(d) three-fourths of one percent (0.75%) per annum when the Facility Usage on such day is greater than or equal to ninety percent (90%) of the Borrowing Base on such day.

"Borrower" means W&T Offshore, Inc., a Nevada corporation.

"Borrowing" means a borrowing of new Loans of a single Type pursuant to Section 2.2 or a continuation or conversion of existing Loans into a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 2.3.

"Borrowing Base" means, at the particular time in question, either the amount provided for in Section 2.8 or the amount determined by Agent in accordance with the provisions of Section 2.9, as such amount may be reduced pursuant to Section 7.5(c).

"Borrowing Base Deficiency" has the meaning given it in Section 2.7(b).

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.2.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in New York City and New Orleans Louisiana. Any Business Day in any way relating to Eurodollar Loans (such as the day on which an Interest Period begins or ends) must also be a day on which, in the judgment of Agent, significant transactions in dollars are carried out in the interbank eurocurrency market in London, England.

"Calculation Date" has the meaning given to such term in Section 7.6.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association, limited liability company or other business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means investments in:

(a) marketable obligations, maturing within 12 months after acquisition thereof, issued or unconditionally guaranteed by the United States of America or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America.

(b) demand deposits, and time deposits (including certificates of deposit) maturing within 12 months from the date of deposit thereof, with any office of any Lender or with a domestic office of any national or state bank or trust company which is organized under the Laws of the United States of America or any state therein, which has capital, surplus and undivided profits of at least $500,000,000, and whose certificates of deposit have at least the third highest credit rating given by either Rating Agency.

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (a) above entered into with any commercial bank meeting the specifications of clause (b) above.

(d) open market commercial paper, maturing within 270 days after acquisition thereof, which has the highest or second highest credit rating given by either Rating Agency.

(e) investments in money market or other mutual funds substantially all of whose assets comprise securities of the types described in clauses (a) through (d) above.

"Change in Control" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Borrower and its Subsidiaries taken as a whole to any "person" or group of related "persons" (a "Group") (as such terms are used in Section 13(d)(3) of the Exchange Act), (ii) the adoption of a plan relating to the liquidation or dissolution of the Borrower, (iii) the consummation of any transaction (including, without limitation, any purchase, sale, acquisition, disposition, merger or consolidation) the result of which is that any "Person" (as defined above) or Group becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act) of more than 25% of the outstanding Voting Stock of the Borrower having the right to elect directors under ordinary circumstances, or (iv) the first day on which a majority of the members of the Board of Directors of the Borrower are not Continuing Directors.

"Collateral" means all property of any kind which is subject to a Lien in favor of Lenders (or in favor of Agent for the benefit of Lenders) or which, under the terms of any Security Document, is purported to be subject to such a

Lien.

"Commitment" means $110,000,000.

"Commitment Fee Rate" means, on each day:

(a) one-fourth of one percent (0.25%) when the Facility Usage on such day is less than fifty percent (50%) of the Borrowing Base on such day,

(b) three-eighths of one percent (0.375%) per annum when the Facility Usage on such day is greater than or equal to fifty percent (50%) of the Borrowing Base on such day, but less than ninety percent (90%) of the Borrowing Base on such day, and

(c) one-half of one percent (0.50%) per annum when the Facility Usage on such day is greater than or equal to ninety percent (90%) of the Borrowing Base on such day.

"Commitment Period" means the period from and including the date hereof until and including the Maturity Date (or, if earlier, the day on which the Notes first become due and payable in full).

"Consolidated" refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated Interest Expense" means as to any Person or Persons for any period, the Consolidated interest expense of such Person and its Subsidiaries for such period, whether paid or accrued including, without limitation, amortization of original issue discount and capitalized debt issuance costs, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to the present value of the net rental payments under sale and leaseback transactions, commissions, discounts and other fees and charges incurred in respect of letters of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Contracts described in Section 7.3.

"Consolidated Net Income" means, as to any Person or Persons for any period, the net income of such Person or Persons (determined without duplication on a Consolidated basis and in accordance with GAAP).

"Consolidated Tangible Net Worth" means the remainder of all Consolidated assets of Borrower, other than intangible assets (including without limitation as intangible assets such assets as patents, copyrights, licenses, franchises, goodwill, trade names, trade secrets and leases other than oil, gas or mineral leases or leases required to be capitalized under GAAP), minus Borrower's Consolidated Liabilities.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.3.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of Borrower who (i) was a member of such Board of Directors on the date hereof or (ii) was nominated for election or elected to such Board of Directors with the approval of (a) two-thirds of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election or (b) two-thirds of those Directors who were previously approved by Continuing Directors.

"Default" means any Event of Default and any default, event or condition which would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

"Default Rate" means, at the time in question, (i) with respect to Eurodollar Loans, the per annum rate equal to two percent (2.0%) per annum plus the LIBOR Rate then in effect and (ii) with respect to ABR Loans and all other Obligations, the per annum rate equal to two percent (2.0%) per annum plus the Alternate Base Rate then in effect. The Default Rate shall never exceed the Highest Lawful Rate.

"Determination Date" has the meaning given it in Section 2.9.

"Disclosure Report" means either a notice given by Borrower under Section 6.4 or a certificate given by Borrower's chief financial officer under Section

6.2(b).

"Disclosure Schedule" means Schedule 1 hereto.

"Distribution" means (a) any dividend or other distribution made by a Restricted Person on or in respect of the Capital Stock of such Restricted Person (including any option or warrant to buy such an equity interest), or (b) any payment made by a Restricted Person to purchase, redeem, acquire or retire any Capital Stock in such Restricted Person (including any such option or warrant).

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" below its name on the Lender Schedule attached hereto, or such other office as such Lender may from time to time specify to Borrower and Agent.

"EBITDA" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus (i) an amount equal to any extraordinary loss, plus any net loss realized in connection with an asset sale (together with any related provisions for taxes by a Restricted Person), to the extent such losses were included in computing such Consolidated Net Income, plus (ii) an amount equal to the provision for taxes based on income or profits of such Person and its Subsidiaries for such period (including state franchise taxes), to the extent that such provision for taxes was deducted in computing such Consolidated Net Income, plus (iii) Consolidated Interest Expense of such Person, to the extent that any such expense was deducted in computing such Consolidated Net Income, plus (iv) depreciation, depletion and amortization expenses (including amortization of goodwill and other intangibles) for such Person and its Subsidiaries for such period to the extent that such depreciation, depletion and amortization expenses were deducted in computing such Consolidated Net Income, plus (v) other non-cash charges (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was paid in a prior period or to the extent it represents a restructuring change) of such Person and its Subsidiaries for such period to the extent that such other non-cash charges were deducted in computing such Consolidated Net Income, in each case, on a consolidated basis and determined in accordance with GAAP. Notwithstanding the foregoing, the provision for taxes on the income or profits of, and the depreciation, depletion and amortization and other non-cash charges and expenses of, the Subsidiaries of the relevant Person shall be added to Consolidated Net Income of such Person only to the extent (and in the same proportion) that the Net Income of such Subsidiary was included in calculating the Consolidated Net Income of such Person and only if a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that such Subsidiary or its stockholders.

"Eligible Transferee" means a Person which either (a) is a Lender or an Affiliate of Lender or a special purpose entity through which a Lender obtains funding for its Loans, or (b) is consented to as an Eligible Transferee by Agent and so long as no Default or Event of Default is continuing by Borrower, which consents in each case will not be unreasonably withheld

(provided that no Person organized outside the United States may be an Eligible Transferee if Borrower would be required to pay withholding taxes on interest or principal owed to such Person).

"Engineering Report" means the Initial Engineering Report and each subsequent engineering report delivered pursuant to Section 6.2(d).

"Environmental Claims" means any and all administrative, regulatory or judicial actions, actions, suits, obligations, liabilities, losses, proceedings, decrees, judgments, penalties, fees, fines, demand letters, orders, directives, claims (including claims for contribution or claims involving liability in tort, strict, absolute or otherwise), Liens, notices of noncompliance or violation, or claims for legal fees or costs of investigations or proceedings, relating to any Environmental Law or arising from the actual or alleged presence or Release of any Hazardous Material, including without limitation, enforcement, mitigation, cleanup, removal, response, remedial or other actions or damages or contribution, indemnification, cost recovery, compensation or injunctive or declaratory relief pursuant to any Environmental Law or alleged injury or threat of injury to property, health, safety, natural resources or the environment.

"Environmental Laws" means all Laws relating to pollution or the regulation or protection of human health, safety, natural resources or the environment, including ambient air, surface water, ground water, land, natural resources or wetlands, including without limitation, those relating to any release of hazardous materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, management, generation, recycling or handling of or exposure to Hazardous Materials. Without

limitation, Environmental Laws include, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986; the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980 and the Hazardous and Solid Waste Amendments of 1984; the Toxic Substances Control Act, 15 U.S.C.; the Federal Water Pollution Control Act; the Hazardous Materials Transportation Act; the Clean Air Act; the Safe Drinking Water Act; The Occupational Safety and Health Act of 1970; the Federal Insecticide, Fungicide and Rodenticide Act, the Endangered Species Act and The Oil Pollution Act, each as amended and their state and local counterparts or equivalents.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"ERISA Affiliate" means Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code of 1986, as amended.

"ERISA Plan" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Restricted Person has a fixed or contingent liability.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" below its name on the Lender Schedule attached hereto (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Borrower and Agent.

"Eurodollar Loan" means a Loan which is properly designated as a Eurodollar Loan pursuant to Section 2.2 or 2.3.

"Eurodollar Margin" means:

(a) one and one-half percent (1.50%) when the Facility Usage on such day is less than fifty percent (50%) of the Borrowing Base on such day,

(b) one and three-fourths percent (1.75%) per annum when the Facility Usage on such day is greater than or equal to fifty percent (50%) of the Borrowing Base on such day, but less than seventy-five percent (75%) of the Borrowing Base on such day,

(c) two percent (2.00%) per annum when the Facility Usage on such day is greater than or equal to seventy-five percent (75%) of the Borrowing Base on such day, but less than ninety percent (90%) of the Borrowing Base on such day, and

(d) two and one-fourth percent (2.25%) per annum when the Facility Usage on such day is greater than or equal to ninety percent (90%) of the Borrowing Base on such day.

"Eurodollar Rate" means with respect to each particular Eurodollar Loan and the associated LIBOR Rate and Reserve Percentage, the rate per annum calculated by Agent (rounded upwards, if necessary, to the next higher 0.01%) determined on a daily basis pursuant to the following formula:

Eurodollar Rate =

$$\frac{\text{LIBOR Rate}}{100.0\% - \text{Reserve Percentage}} + \text{Eurodollar Margin}$$

The Eurodollar Rate for any Eurodollar Loan shall change whenever the Eurodollar Margin or the Reserve Percentage changes. No Eurodollar Rate shall ever exceed the Highest Lawful Rate.

"Eurodollar Rate Payment Date" means, with respect to any Eurodollar Loan: (i) the day on which the related Interest Period ends, and (ii) any day on which past due interest or past due principal is owed under the Notes with respect to such Eurodollar Loan and is unpaid. If the terms of any Loan Documents provide that payments of interest or principal with respect to such Eurodollar Loan shall be deferred from one Eurodollar Rate Payment Date to another day, such other day shall also be a Eurodollar Rate Payment Date.

"Evaluation Date" means each of the following:

(a) Each date which Required Lenders, at their option, specify as a

date as of which the Borrowing Base is to be redetermined, provided that each such date must be the first or last day of a current calendar month and that Required Lenders shall not be entitled to request any such redetermination more than once during any Fiscal Year;

(b) March 1 and September 1 of each Fiscal Year, beginning March 1, 2000.

(c) The date of each sale of interests in oil and gas properties described in clause (iv) of Section 7.5(c).

(d) Each date on which a loan is made under the Acquisition Agreement.

"Event of Default" has the meaning given it in Section 8.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Existing Credit Agreement" means, collectively, (i) the Existing Revolving Credit Agreement, and (ii) that certain Credit Agreement providing for an acquisition commitment in the amount of $20,000,000 dated as of November 29, 1999, among Borrower, TD (Texas), as agent, and certain financial institutions, as lenders, as amended, supplemented or restated.

"Existing Revolving Credit Agreement" means that certain Credit Agreement providing for a revolving commitment in the amount of $75,000,000 dated as of November 29, 1999, among Borrower, TD (Texas), as agent, and certain financial institutions, as lenders, as amended, supplemented, or restated

"Facility Usage" means, at the time in question, the aggregate principal amount of outstanding Loans.

"Farmout Agreement" means the Lease Development and Farmout Agreement effective July 15, 1997, between Chevron U.S.A. Production Company and Borrower.

"Federal Funds Rate" shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of one percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to Agent on such day on such transactions as determined by Agent in good faith.

"Fiscal Quarter" means a three-month period ending on March 31, June 30, September 30, or December 31 of any year.

"Fiscal Year" means a twelve-month period ending on December 31 of any year.

"Four Quarter Period" means as of the end of any Fiscal Quarter, the period of four consecutive Fiscal Quarters then ended.

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and which, in the case of Borrower and its Consolidated subsidiaries, are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the audited Initial Financial Statements. If any change in any accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to Borrower or with respect to Borrower and its Consolidated subsidiaries may be prepared in accordance with such change, but all calculations and determinations to be made hereunder may be made in accordance with such change only after notice of such change is given to each Lender and Required Lenders agree to such change insofar as it affects the accounting of Borrower or of Borrower and its Consolidated subsidiaries.

"Hazardous Materials" means (a) any petroleum or petroleum product (including crude oil or fraction thereof), explosive, radioactive material, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, lead and radon gas; (b) any chemical, material, gas substance waste which is defined as or included in the definition of "hazardous substance", "hazardous waste", "hazardous material", "extremely hazardous substance", "hazardous chemical", "toxic substance", "toxic chemical", "contaminant" or "pollutant" or words of similar import under any Environmental Law; and (c) any other chemical, material, gas substance or waste, exposure to which, or the presence, use,

generation, treatment, Release, transport or storage of which is prohibited, limited or regulated under any Environmental Law.

"Hedging Contract" means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

"Highest Lawful Rate" means, with respect to each Lender, the maximum nonusurious rate of interest that such Lender is permitted under applicable Law to contract for, take, charge, or receive with respect to its Loan. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender at a rate in excess of the Highest Lawful Rate applicable to such Lender.

"Indebtedness" of any Person means Liabilities in any of the following categories:

(a) Liabilities for borrowed money,

(b) Liabilities constituting an obligation to pay the deferred purchase price of property or services,

(c) Liabilities evidenced by a bond, debenture, note or similar instrument,

(d) Liabilities which (i) would under GAAP be shown on such Person's balance sheet as a liability, and (ii) is payable more than one year from the date of creation thereof (other than reserves for taxes and reserves for contingent obligations),

(e) Liabilities arising under futures contracts, forward contracts, swap, cap or collar contracts, option contracts, hedging contracts, other derivative contracts, or similar agreements,

(f) Capitalized Lease Obligations and Liabilities arising under operating leases and Liabilities arising with respect to sale and lease-back transactions,

(g) Liabilities arising under conditional sales or other title retention agreements,

(h) Liabilities owing under direct or indirect guaranties of Liabilities of any other Person or constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Liabilities of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection,

(i) Liabilities (for example, repurchase agreements) consisting of an obligation to purchase securities or other property, if such Liabilities arises out of or in connection with the sale of the same or similar securities or property,

(j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor,

(k) Liabilities with respect to payments received in consideration of oil, gas, or other minerals yet to be acquired or produced at the time of payment (including obligations under "take-or-pay" contracts to deliver gas in return for payments already received and the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment), or

(l) Liabilities with respect to other obligations to deliver goods or services in consideration of advance payments therefor;

provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred by such Person on ordinary trade terms to vendors, suppliers, or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until (x) such Liabilities are outstanding more than 90 days past the original invoice or billing date therefor or, (y) if such Person is contesting any such Liability in good faith by appropriate proceedings (promptly initiated and diligently conducted) and has set aside on its books adequate reserves therefor, such Liability is outstanding more than 180 days past the original invoice or billing

date therefor.

"Initial Engineering Report" means, collectively, (i) the engineering report concerning oil and gas properties of Borrower dated August 13, 1999, prepared by Collarini Engineering Inc. as of July 1, 1999, (ii) the engineering report concerning the Vastar properties acquisitions dated September 1, 1999, prepared by Ryder Scott Company as of April 1, 1999, and (iii) the mid-year proven reserve report dated August 19, 1999, prepared by Borrower as of July 1, 1999, and (iv) the engineering report concerning the BP Amoco properties acquisition dated December 3, 1999, prepared by Collarini Engineering Inc. as of January 1, 2000.

"Initial Financial Statements" means (i) the audited annual financial statements of Borrower dated as of December 31, 1998, and (ii) the unaudited year-to-date Consolidated financial statements of Borrower dated as of October 31, 1999.

"Insurance Schedule" means Schedule 4 attached hereto.

"Interest Period" means, with respect to each particular Eurodollar Loan in a Borrowing, a period of 1, 2 or 3 months, as specified in the Borrowing Notice applicable thereto, beginning on and including the date specified in such Borrowing Notice (which must be a Business Day), and ending on but not including the same day of the month as the day on which it began (e.g., a period beginning on the third day of one month shall end on but not include the third day of another month), provided that each Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day (unless such next succeeding Business Day is the first Business Day of a calendar month, in which case such Interest Period shall end on the immediately preceding Business Day). No Interest Period may be elected which would extend past the date on which the associated Note is due and payable in full.

"Investment" means any investment, in cash or by delivery of property made, directly or indirectly in any Person, whether by acquisition of shares of Capital Stock, indebtedness or other obligations or securities or by loan, advance, capital contribution or otherwise.

"Law" means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or any state or political subdivision or regulatory agency thereof of any foreign country or any department, province or other political subdivision thereof, including without limitation Environmental Laws.

"Lender Parties" means Agent and all Lenders.

"Lenders" means each signatory hereto (other than Borrower and Restricted Persons a party hereto), including TD (Texas) in its capacity as a lender hereunder rather than as Agent, and the successors of each such party as holder of a Note.

"Lending Office" means, with respect to any Lender, the office, branch, or agency through which it funds its Eurodollar Loans; and, with respect to Agent, the office, branch, or agency through which it administers this Agreement.

"Liabilities" means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct

or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to GAAP.

"LIBOR Rate" means, with respect to each particular Eurodollar Loan and the related Interest Period, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "LIBOR Rate" shall mean, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). The LIBOR Rate determined by Agent with respect to a particular Eurodollar Loan shall be fixed at such rate for the duration of the associated Interest Period. If Agent is unable so to determine the LIBOR Rate

for any Eurodollar Loan, Borrower shall be deemed not to have elected such Eurodollar Loan and Agent shall promptly provide written notice thereof to Borrower.

"Lien" means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to him or any other arrangement with such creditor which provides for the payment of such Liabilities out of such property or assets or which allows him to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business. "Lien" also means any filed financing statement, any registration of a pledge (such as with an issuer of uncertificated securities), or any other arrangement or action which would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Loan" has the meaning given it in Section 2.1.

"Loan Documents" means this Agreement, the Acquisition Loan Documents, the Notes, the Security Documents, and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets, commitment letters, correspondence and similar documents used in the negotiation hereof, except to the extent the same contain information about Borrower or its Affiliates, properties, business or prospects).

"Mahogany Acquisition" means the acquisition by Borrower of BP Amoco's working interest in Ship Shoal 349 field and the other fields described in Exhibit H.

"Material Adverse Change" means a material and adverse change, from the state of affairs presented in the Initial Financial Statements or the Initial Engineering Report, or as represented or warranted in any Loan Document, to (i) Borrower's financial condition or the Consolidated financial condition of Borrower and all of its Subsidiaries, (ii) the business, operations, properties or prospects of Borrower or of Borrower and all of its Subsidiaries, considered as a whole, (iii) Borrower's ability to timely pay the Obligations or to comply with any other obligations under the Loan Documents, or (iv) the enforceability of the material terms of any Loan Document.

"Maturity Date" means February 24, 2004 or such later date to which the maturity of the Loans is extended pursuant to Section 2.10.

"Mortgaged Properties" means all properties subject to the Security Documents.

"Note" has the meaning given it in Section 2.1.

"Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Loan Documents.

"Obligation" means any part of the Obligations.

"Percentage Share" means, with respect to any Lender (a) when used in Sections 2.1 or 2.5, in any Borrowing Notice or when no Loans are outstanding hereunder, the percentage set forth opposite such Lender's name on the Lender Schedule attached hereto, and (b) when used otherwise, the percentage obtained by dividing (i) the sum of the unpaid principal balance of such Lender's Loans at the time in question, by (ii) the sum of the aggregate unpaid principal balance of all Loans at such time.

"Permitted Lien" has the meaning given to such term in Section 7.2.

"Permitted Tax Distribution" has the meaning given to such term in Section 7.6.

"Person" means an individual, corporation, partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, Tribunal, or any other legally recognizable entity.

"Prime Rate" means the rate of interest adopted by Agent as the reference rate for the determination of interest rates for loans of varying maturities in dollars to United States residents of varying degrees of creditworthiness and being quoted at such time by The Toronto-Dominion Bank, New York Branch as its

"base rate" or "prime rate".

"Projected Oil Production" means the projected production of oil (measured by volume unit, not sales price) for the term of the contracts or a particular month, as applicable, from properties and interests owned by any Restricted Person for thirty (30) days or more which are located in or offshore of the United States and which have attributable to them proved oil reserves, as such production is projected in the most recent report delivered pursuant to Section 6.2(d) of this Agreement, after deducting projected production from any properties or interests sold or under contract for sale that had been included in such report and after adding projected

production from any properties or interests that had not been reflected in such report but that are reflected in a separate or supplemental reports meeting the requirements of Section 6.2(d) of this Agreement and otherwise are satisfactory to Agent.

"Projected Gas Production" means the projected production of gas (measured by BTU equivalent, not sales price) for the term of the contracts or a particular month, as applicable, from properties and interests owned by any Restricted Person for thirty (30) days or more which are located in or offshore of the United States and which have attributable to them proved gas reserves, as such production is projected in the most recent report delivered pursuant to Section 6.2(d) of this Agreement, after deducting projected production from any properties or interests sold or under contract for sale that had been included in such report and after adding projected production from any properties or interests that had not been reflected in such report but that are reflected in a separate or supplemental reports meeting the requirements of Section 6.2(d) of this Agreement and otherwise are satisfactory to Agent.

"Quarterly Distribution Amount" has the meaning given to such term in Section 7.6.

"Rating Agency" means either Standard & Poor's Ratings Group (a division of McGraw Hill, Inc.) or Moody's Investors Service, Inc., or their respective successors.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Release" means the threatened or actual release, deposit, disposal or leakage of any Hazardous Material at, into, upon or under any land, water or air or otherwise into the environment, including, without limitation, by means of burial, disposal, discharge, emission, injection, leakage, seepage, dumping, pumping, pouring, escaping, emptying or placement.

"Required Lenders" means Lenders whose aggregate Percentage Shares equal or exceed seventy-five percent (75.0%).

"Required Hedging Oil Amount" means thirty percent (30%) of Projected Oil Production.

"Required Oil Hedge Period" means the period of time during which Hedging Contract(s) are required to be maintained with respect to the Required Hedging Oil Amount of Projected Oil Production which shall commence on April 1, 2000 and shall end on December 31, 2000.

"Reserve Percentage" means, on any day with respect to each particular Eurodollar Loan, the maximum reserve requirement, as determined by Agent (including without limitation any basic, supplemental, marginal, emergency or similar reserves), expressed as a percentage and rounded to the next higher 0.01%, which would then apply under Regulation D with respect to "Eurocurrency liabilities", as such term is defined in Regulation D, of $1,000,000 or more. If such reserve requirement shall change after the date hereof, the Reserve Percentage shall be automatically increased or decreased, as the case may be, from time to time as of the effective time of each such change in such reserve requirement.

"Restricted Person" means any of Borrower and each direct and indirect Subsidiary of Borrower.

"SEC" means the Securities and Exchange Commission.

"Security Documents" means the instruments listed in the Security Schedule and all other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Restricted Person to Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of any

part of the Obligations or the performance of any Restricted Person's other duties and obligations under the Loan Documents.

"Security Schedule" means Schedule 2 hereto.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled by or owned fifty percent or more by such Person.

"Termination Event" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Sections 4043(b)(5) or (6) of ERISA or (ii) any other reportable event described in Section 4043(b) of ERISA other than a reportable event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) of ERISA, or (b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan.

"TD (Texas)" means Toronto Dominion (Texas), Inc.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States of America or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village or municipality, whether now or hereafter constituted and/or existing.

"Type" means, with respect to any Loans, the characterization of such Loans as either ABR Loans or Eurodollar Loans.

"Voting Stock" means, with respect to any Person, securities of any class or classes of Capital Stock in such Person normally entitling the holders thereof to vote in the election of members of the Board of Directors or other governing body of such Person.

"W&T LLC" means W&T Offshore, L.L.C., a Louisiana limited liability company.

"Wholly-owned Subsidiary" means any Subsidiary of Borrower, one hundred percent (100%) of the Voting Stock of which is directly or indirectly (through one or more intermediaries) owned by Borrower.

Section 1.2. Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes. Reference is hereby made to the Security Schedule for the meaning of certain terms defined therein and used but not defined herein, which definitions are incorporated herein by reference.

Section 1.3. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

Section 1.4. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement", "this instrument", "herein", "hereof", "hereby", "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation". Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

Section 1.5. Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to Eurodollar Loans and of

fees shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. All other calculations of interest made under the Loan Documents shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate. Each determination by a Lender Party of amounts to be paid under any of Sections 3.2, 3.3, 3.4, 3.5 or 3.6 or any other matters which are to be determined hereunder by a Lender Party (such as any Eurodollar Rate, LIBOR Rate, Business Day, Interest Period, or Reserve Percentage) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Required Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP.

ARTICLE II - The Loans

Section 2.1. Commitments to Lend; Notes. Subject to the terms and conditions hereof, each Lender agrees to make loans to Borrower (herein called such Lender's "Loans") upon Borrower's request from time to time during the Commitment Period, provided that (a) subject to Sections 3.3, 3.4 and 3.6, all Lenders are requested to make Loans of the same Type in accordance with their respective Percentage Shares and as part of the same Borrowing, and (b) after giving effect to such Loans, the Facility Usage does not exceed the Borrowing Base determined as of the date on which the requested Loans are to be made or the Commitment. The aggregate amount of all Loans in any Borrowing of ABR Loans must be greater than or equal to $500,000 (any higher multiple of $100,000) or must equal the remaining availability under the Borrowing Base. The aggregate amount of all Loans in any Borrowing of Eurodollar Loans must be greater than or equal to $500,000 (any higher multiple of $100,000) or must equal the remaining availability under the Borrowing Base. Borrower may have no more than three Borrowings of Eurodollar Loans outstanding at any time. The obligation of Borrower to repay to each Lender the aggregate amount of all Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Note") made by Borrower payable to the order of such Lender in the form of Exhibit A with appropriate insertions. The amount of principal owing on any Lender's Note at any given time shall be the aggregate amount of all Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Note. Interest on each Note shall accrue and be due and payable as provided herein and therein, with Eurodollar Loans bearing interest at the Eurodollar Rate and ABR Loans bearing interest at the Alternate Base Rate (subject to the applicability of the Default Rate and limited by the provisions of Section 10.9). Subject to the terms and conditions hereof, Borrower may borrow, repay, and reborrow hereunder.

Section 2.2. Requests for New Loans. Borrower must give to Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of new Loans to be advanced by Lenders. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of new ABR Loans and the date on which such ABR Loans are to be advanced, or (ii) the aggregate amount of any such Borrowing of new Eurodollar Loans, the date on which such Eurodollar Loans are to be advanced (which shall be the first day of the Interest Period which is to apply thereto), and the length of the applicable Interest Period; and

(b) be received by Agent not later than 12:00 noon, New York City time, on (i) the day on which any such ABR Loans are to be made, or (ii) the third Business Day preceding the day on which any such Eurodollar Loans are to be made.

Each such written request or confirmation must be made in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, Agent shall give each Lender prompt notice of the terms thereof. If all conditions precedent to such new Loans have been met, each Lender will on the date requested

promptly remit to Agent at Agent's office in Houston, Texas, the amount of such Lender's new Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Loans have been neither met nor waived as provided herein, Agent shall promptly make such Loans available to Borrower. Unless Agent shall have received prompt notice from a Lender that such Lender will not make available to Agent such Lender's new Loan, Agent may in its discretion assume that such Lender has made such Loan available to Agent in accordance with this section and Agent may if it chooses,

in reliance upon such assumption, make such Loan available to Borrower. If and to the extent such Lender shall not so make its new Loan available to Agent, such Lender and Borrower severally agree to pay or repay to Agent within three days after demand the amount of such Loan together with interest thereon, for each day from the date such amount was made available to Borrower until the date such amount is paid or repaid to Agent, with interest at (i) the Federal Funds Rate, if such Lender is making such payment and (ii) the interest rate applicable at the time to the other new Loans made on such date, if Borrower is making such repayment. If neither such Lender nor Borrower pay or repay to Agent such amount within such three-day period, Agent shall in addition to such amount be entitled to recover from such Lender and from Borrower, on demand, interest thereon at the Default Rate, calculated from the date such amount was made available to Borrower. The failure of any Lender to make any new Loan to be made by it hereunder shall not relieve any other Lender of its obligation hereunder, if any, to make its new Loan, but no Lender shall be responsible for the failure of any other Lender to make any new Loan to be made by such other Lender.

Section 2.3. Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Loans already outstanding: to convert ABR Loans to Eurodollar Loans, to convert Eurodollar Loans to ABR Loans on the last day of the Interest Period applicable thereto, or to continue Eurodollar Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. In making such elections, Borrower may combine existing Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Loans made pursuant to one Borrowing into separate new Borrowings. To make any such election, Borrower must give to Agent written notice (or telephonic notice promptly confirmed in writing) of any such conversion or continuation of existing Loans, with a separate notice given for each new Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(a) specify the existing Loans which are to be continued or converted;

(b) specify (i) the aggregate amount of any Borrowing of ABR Loans into which such existing Loans are to be continued or converted and the date on which such continuation or conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Loans are to be continued or converted, the date on which such continuation or conversion is to occur (which shall be the first day of the Interest Period which is to apply to such Eurodollar Loans), and the length of the applicable Interest Period; and

(c) be received by Agent not later than 12:00 noon, New York City time, on (i) the day on which any such continuation or conversion to ABR Loans is to occur, or

(ii) the third Business Day preceding the day on which any such continuation or conversion to Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, Agent shall give each Lender prompt notice of the terms thereof. Each Borrowing Notice shall be irrevocable and binding on Borrower. During the continuance of any Default, Borrower may not make any election to convert existing Loans into Eurodollar Loans or continue existing Loans as Eurodollar Loans. If (due to the existence of a Default or for any other reason) Borrower fails to timely and properly give any notice of continuation or conversion with respect to a Borrowing of existing Eurodollar Loans at least three days prior to the end of the Interest Period applicable thereto, such Eurodollar Loans shall automatically be converted into ABR Loans at the end of such Interest Period. No new funds shall be repaid by Borrower or advanced by any Lender in connection with any continuation or conversion of existing Loans pursuant to this section, and no such continuation or conversion shall be deemed to be a new advance of funds for any purpose; such continuations and conversions merely constitute a change in the interest rate applicable to already outstanding Loans.

Section 2.4. Use of Proceeds. Borrower shall use all Loans to refinance indebtedness under the Existing Credit Agreement or the Acquisition Agreement, finance capital expenditures, and provide working capital for its operations and for other general business purposes. In no event shall the funds from any Loan be used directly or indirectly by any Person (i) for personal, family, household or agricultural purposes or (ii) for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" or any "margin securities" (as such terms are defined respectively in Regulation U and Regulation G promulgated by the Board of Governors of the Federal Reserve System) or to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock or margin securities or (iii) for the acquisition of any Person unless such acquisition has been approved by the

board of directors, management committee or partners, as the case may be of such Person. Borrower represents and warrants that Borrower is not engaged principally, or as one of Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock or margin securities.

Section 2.5. Fees.

(a) Commitment Fees. In consideration of each Lender's commitment to make Loans, Borrower will pay to Agent for the account of each Lender a commitment fee determined on a daily basis by applying the Commitment Fee Rate to such Lender's Percentage Share of the unused portion of the Borrowing Base on each day during the Commitment Period, determined for each such day by deducting from the amount of the Borrowing Base at the end of such day the Facility Usage. This commitment fee shall be due and payable in arrears on each ABR Payment Date and at the end of the Commitment Period.

(b) Other Fees. In addition to all other amounts due to Agent under the Loan Documents, Borrower will pay fees to Agent as described in a letter agreement of even date herewith between Agent and Borrower.

Section 2.6. Optional Prepayments. Borrower may, upon one Business Day's notice in the case of ABR Loans, or three Business Days' notice in the case of Eurodollar Loans, to Agent for the account of each Lender, from time to time and without premium or penalty prepay the Notes, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the Notes equals $500,000 or any higher integral multiple of $100,000, so long as Borrower pays all breakage costs associated with the prepayment of any Eurodollar Loan as provided in Section 3.5, and so long as Borrower does not make any prepayments which would reduce the unpaid principal balance of any Loan to less than $100,000 without first either (a) terminating this Agreement or (b) providing assurance satisfactory to Agent in its discretion that Lenders' legal rights under the Loan Documents are in no way affected by such reduction. Each prepayment of principal of a Eurodollar Loan under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.7. Mandatory Prepayments.

(a) If at any time the Facility Usage exceeds the Commitment (whether due to a reduction in the Commitment in accordance with this Agreement, or otherwise), Borrower shall immediately upon demand prepay the principal of the Loans in an amount at least equal to such excess.

(b) If at any time the Facility Usage is less than the Commitment but in excess of the Borrowing Base (such excess being herein called a "Borrowing Base Deficiency"), Borrower shall, within five Business Days after Agent gives notice of such fact to Borrower, either:

(i) prepay the principal of the Loans in an aggregate amount at least equal to such Borrowing Base Deficiency, or

(ii) give notice to Agent electing to prepay the principal of the Loans in up to three monthly installments in an aggregate amount at least equal to such Borrowing Base Deficiency, with each such installment equal to or in excess of one-third of such Borrowing Base Deficiency, and with the first such installment to be paid one month after the giving of such notice and the subsequent installments to be due and payable at one month intervals thereafter until such Borrowing Base Deficiency has been eliminated, or

(iii) give notice to Agent that Borrower desires to provide Agent with deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other security documents in form and substance satisfactory to Agent, granting, confirming, and perfecting first and prior liens or security interests in collateral acceptable to Required Lenders, to the extent needed to

allow Required Lenders to increase the Borrowing Base (as they in their reasonable discretion deem consistent with prudent oil and gas banking industry lending standards at the time) to an amount which eliminates such Borrowing Base Deficiency, and then provide such security documents within thirty days after Agent specifies such collateral to Borrower. If, prior to any such specification by Agent, Required Lenders determine that the giving of such security documents will not serve to eliminate such Borrowing Base Deficiency, then,

within five Business Days after receiving notice of such determination, Borrower will elect to make, and thereafter make, the prepayments specified in either of the preceding subsections (i) or (ii) of this subsection (b).

(c) Each prepayment of principal of a Eurodollar Loan under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.8. Initial Borrowing Base. During the period from the date hereof to the first Determination Date the Borrowing Base shall be $80,000,000.

Section 2.9. Subsequent Determinations of Borrowing Base.

By each Evaluation Date (or in the case of an Evaluation Date pursuant to clause (a) of the definition of "Evaluation Date", within thirty days after such Evaluation Date), Borrower shall furnish to each Lender all information, reports and data which Agent has then requested concerning Restricted Persons' businesses and properties (including their oil and gas properties and interests and the reserves and production relating thereto), together with the Engineering Report described in Section 6.2 which is then due, if any; provided that in the case of any "Evaluation Date" pursuant to clause (a) of the definition thereof, Borrower shall deliver to Agent an Engineering Report of the type described in Section 6.2(e) by such Evaluation Date. Within thirty days after receiving such information, reports and data (or in the case of a determination of the Borrowing Base with respect to an Evaluation Date described in clause (d) of the definition of "Evaluation Date", within thirty days after such Evaluation Date), Required Lenders shall agree upon an amount for the Borrowing Base and Agent shall by notice to Borrower designate such amount as the new Borrowing Base available to Borrower hereunder, which designation shall take effect immediately on the date such notice is sent (herein called a "Determination Date") and shall remain in effect until but not including the next date as of which the Borrowing Base is redetermined. If Borrower does not furnish all such information, reports and data by the date specified in the first sentence of this section, Agent may nonetheless designate the Borrowing Base at any amount which Required Lenders determine and may redesignate the Borrowing Base from time to time thereafter until each Lender receives all such information, reports and data, whereupon Required Lenders shall designate a new Borrowing Base as described above. Required Lenders shall determine the amount of the Borrowing Base based upon the loan collateral value which they in their discretion assign to the various oil and gas properties included in the Collateral at the time in question and based upon such other credit factors (including without limitation the assets, liabilities, cash flow, hedged and unhedged exposure to price, foreign exchange rate, and interest rate changes, business, properties,

prospects, management and ownership of Borrower and its Affiliates) as they in their discretion deem significant. It is expressly understood that Lenders and Agent have no obligation to agree upon or designate the Borrowing Base at any particular amount, whether in relation to the Commitment or otherwise, and that Lenders' commitments to advance funds hereunder is determined by reference to the Borrowing Base from time to time in effect, which Borrowing Base shall be used to the extent permitted by Law and regulatory authorities, for the purposes of capital adequacy determination and reimbursements under Section 3.2. Should the last day for Lenders to redetermine the Borrowing Base in connection with a particular Evaluation Date be a day other than a Business Day, the period for such redetermination shall be extended to the next succeeding Business Day.

Section 2.10. Maturity Date and Requests for Extension. The Loans shall be finally due and payable on the Maturity Date, subject to earlier maturity in accordance with the terms hereof; provided, that the Maturity Date may be extended at the written request of the Borrower for an additional one-year period upon the written approval of each Lender, which shall be determined in each Lender's sole discretion. Unless the Agent shall have received from the Borrower a written request regarding the extension of the Maturity Date at least sixty (60) days prior to the Maturity Date then in effect, the Lenders will not consider extending and will not extend the Maturity Date. If the Agent has received such a request for extension by such time, the Agent will notify the Borrower whether or not Lenders will extend the Maturity Date in writing at least thirty (30) days prior to the Maturity Date then in effect.

ARTICLE III - Payments to Lenders

Section 3.1. General Procedures. Borrower will make each payment which it owes under the Loan Documents to Agent for the account of the Lender Party to whom such payment is owed. Each such payment must be received by Agent not later than 12:00 noon, New York City time, on the date such payment becomes due and payable, in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Any payment received by Agent after such time will be deemed to have been made on the next

following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the Loan Document under which such payment is due. Each payment under a Loan Document shall be due and payable at the place provided therein and, if no specific place of payment is provided, shall be due and payable at the place of payment of Agent's Note. When Agent collects or receives money on account of the Obligations, Agent shall distribute all money so collected or received, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of all fees and expenses of Agent and its counsel which are then due;

(b) then for the payment of all other Obligations which are then due (and if such money is insufficient to pay all such Obligations, first to any reimbursements due Agent under Section 6.9 or 10.4 and second to the partial payment of all other

Obligations then due in proportion to the amounts thereof, or as Lender Parties shall otherwise agree);

(c) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Notes) if so specified by Borrower;

(d) then for the prepayment of principal on the Notes, together with accrued and unpaid interest on the principal so prepaid; and

(e) last, for the payment or prepayment of any other Obligations.

All payments applied to principal or interest on any Note shall be applied first to any interest then due and payable, then to principal then due and payable, and last to any prepayment of principal and interest in compliance with Sections 2.6 and 2.7. All distributions of amounts described in any of subsections (c), (d) or (e) above shall be made by Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection.

Section 3.2. Capital Reimbursement. If either (a) the introduction or implementation of or the compliance with or any change in or in the interpretation of any Law, or (b) the introduction or implementation of or the compliance with any request, directive or guideline from any central bank or other governmental authority (whether or not having the force of Law) affects or would affect the amount of capital required or expected to be maintained by any Lender Party (or any assignee of such Lender Party) or any corporation controlling any Lender Party (or its assignee), then, upon demand by such Lender Party, Borrower will pay to Agent for the benefit of such Lender Party, from time to time as specified by such Lender Party, such additional amount or amounts which such Lender Party shall reasonably determine to be appropriate to compensate such Lender Party or any corporation controlling such Lender Party in light of such circumstances, to the extent that such Lender Party reasonably determines that the amount of any such capital would be increased or the rate of return on any such capital would be reduced by or in whole or in part based on the existence of the face amount of such Lender Party's Loans or commitments under this Agreement.

Section 3.3. Increased Cost of Eurodollar Loans. If any applicable Law (whether now in effect or hereinafter enacted or promulgated, including Regulation D) or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of Law):

(a) shall change the basis of taxation of payments to any Lender Party of any principal, interest, or other amounts attributable to any Eurodollar Loan or otherwise due under this Agreement in respect of any Eurodollar Loan (other than taxes imposed on the overall net income of such Lender Party or any lending office of such Lender Party by any jurisdiction in which such Lender Party or any such lending office is located); or

(b) shall change, impose, modify, apply or deem applicable any reserve, special deposit or similar requirements in respect of any Eurodollar Loan (excluding those for which such Lender Party is fully compensated pursuant to adjustments made in

the definition of Eurodollar Rate) or against assets of, deposits with or for the account of, or credit extended by, such Lender Party; or

(c) shall impose on any Lender Party or the interbank eurocurrency

deposit market any other condition affecting any Eurodollar Loan, the result of which is to increase the cost to any Lender Party of funding or maintaining any Eurodollar Loan or to reduce the amount of any sum receivable by any Lender Party in respect of any Eurodollar Loan by an amount deemed by such Lender Party to be material,

then such Lender Party shall promptly notify Agent and Borrower in writing of the happening of such event and of the amount required to compensate such Lender Party for such event (on an after-tax basis, taking into account any taxes on such compensation), whereupon (i) Borrower shall pay such amount to Agent for the account of such Lender Party and (ii) Borrower may elect, by giving to Agent and such Lender Party not less than three Business Days' notice, to convert all (but not less than all) of any such Eurodollar Loans into ABR Loans.

Section 3.4. Availability. If (a) any change in applicable Laws, or in the interpretation or administration thereof of or in any jurisdiction whatsoever, domestic or foreign, shall make it unlawful or impracticable for any Lender Party to fund or maintain Eurodollar Loans, or shall materially restrict the authority of any Lender Party to purchase or take offshore deposits of dollars (i.e., "eurodollars"), or (b) any Lender Party determines that matching deposits appropriate to fund or maintain any Eurodollar Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the Adjusted Eurodollar Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, then, upon notice by such Lender Party to Borrower and Agent, Borrower's right to elect Eurodollar Loans from such Lender Party shall be suspended to the extent and for the duration of such illegality, impracticability or restriction and all Eurodollar Loans of such Lender Party which are then outstanding or are then the subject of any Borrowing Notice and which cannot lawfully or practicably be maintained or funded shall immediately become or remain, or shall be funded as, ABR Loans of such Lender Party. Borrower agrees to indemnify each Lender Party and hold it harmless against all costs, expenses, claims, penalties, liabilities and damages which may result from any such change in Law, interpretation or administration. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.5. Funding, Losses. In addition to its other obligations hereunder, Borrower will indemnify each Lender Party against, and reimburse each Lender Party on demand for, any loss or expense incurred or sustained by such Lender Party (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by a Lender Party to fund or maintain Eurodollar Loans), as a result of (a) any payment or prepayment (whether authorized or required hereunder or otherwise) of all or a portion of a Eurodollar Loan on a day other than the day on which the applicable Interest Period ends, (b) any payment or prepayment, whether required hereunder or otherwise, of a Loan made after the delivery, but before the effective date, of a Continuation/Conversion Notice, if such payment or prepayment prevents such Continuation/Conversion Notice from becoming fully effective, (c) the failure of any Loan to be made or of any Continuation/Conversion Notice to become effective due to any condition precedent not being satisfied or due to any other action or inaction of any Restricted Person, or (d) any conversion (whether authorized or required hereunder or

otherwise) of all or any portion of any Eurodollar Loan into an ABR Loan or into a different Eurodollar Loan on a day other than the day on which the applicable Interest Period ends. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.6. Reimbursable Taxes. Borrower covenants and agrees that:

(a) Borrower will indemnify each Lender Party against and reimburse each Lender Party for all present and future income, stamp and other taxes, levies, costs and charges whatsoever imposed, assessed, levied or collected on or in respect of this Agreement or any Eurodollar Loans (whether or not legally or correctly imposed, assessed, levied or collected), excluding, however, any taxes imposed on or measured by the overall net income of Agent or such Lender Party or any lending office of such Lender Party by any jurisdiction in which such Lender Party or any such lending office is located (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes" in this section). Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

(b) All payments on account of the principal of, and interest on, each Lender Party's Loans and Note, and all other amounts payable by Borrower to any Lender Party hereunder, shall be made in full without set-off or counterclaim and shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Borrower. In the event of Borrower being compelled by Law to make any such deduction or withholding from any payment to any Lender Party, Borrower shall pay on the due date of such payment, by way of additional interest, such additional amounts as are needed to cause

the amount receivable by such Lender Party after such deduction or withholding to equal the amount which would have been receivable in the absence of such deduction or withholding. If Borrower should make any deduction or withholding as aforesaid, Borrower shall within 60 days thereafter forward to such Lender Party an official receipt or other official document evidencing payment of such deduction or withholding.

(c) If Borrower is ever required to pay any Reimbursable Tax with respect to any Eurodollar Loan, Borrower may elect, by giving to Agent and such Lender Party not less than three Business Days' notice, to convert all (but not less than all) of any such Eurodollar Loan into an ABR Loan, but such election shall not diminish Borrower's obligation to pay all Reimbursable Taxes.

(d) Notwithstanding the foregoing provisions of this section, Borrower shall be entitled, to the extent it is required to do so by Law, to deduct or withhold (and not to make any indemnification or reimbursement for) income or other similar taxes imposed by the United States of America (other than any portion thereof attributable to a change in federal income tax Laws effected after the date hereof) from interest, fees or other amounts payable hereunder for the account of any Lender Party, other than a Lender Party (i) who is a U.S. person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Agent (with copies provided to Borrower) for the applicable year to the extent deduction or withholding of such taxes is not required as a

result of the filing of such Prescribed Forms, provided that if Borrower shall so deduct or withhold any such taxes, it shall provide a statement to Agent and such Lender Party, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation which such Lender Party may reasonably request for assisting such Lender Party to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender Party is subject to tax. As used in this section, "Prescribed Forms" means such duly executed forms or statements, and in such number of copies, which may, from time to time, be prescribed by Law and which, pursuant to applicable provisions of (x) an income tax treaty between the United States and the country of residence of the Lender Party providing the forms or statements, (y) the Internal Revenue Code of 1986, as amended from time to time, or (z) any applicable rules or regulations thereunder, permit Borrower to make payments hereunder for the account of such Lender Party free of such deduction or withholding of income or similar taxes.

Section 3.7. Change of Applicable Lending Office. Each Lender Party agrees that, upon the occurrence of any event giving rise to the operation of any of Sections 3.2, 3.3, 3.4, 3.5 or 3.6 with respect to such Lender Party, it will, if requested by Borrower, use reasonable efforts (subject to overall policy considerations of such Lender Party) to designate another Lending Office, provided that such designation is made on such terms that such Lender Party and its Lending Office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such section. Nothing in this section shall affect or postpone any of the obligations of Borrower or the rights of any Lender Party provided in any of Sections 3.2, 3.3, 3.4, 3.5 or 3.6.

Section 3.8. Replacement of Lenders. If any Lender Party seeks reimbursement for increased costs under any of Sections 3.2, 3.3, 3.4, 3.5 or 3.6, then within ninety days thereafter -- provided no Event of Default then exists -- Borrower shall have the right (unless such Lender Party withdraws its request for additional compensation) to replace such Lender Party by requiring such Lender Party to assign its Loans, Notes, Acquisition Notes and its commitments hereunder and under the Acquisition Agreement to an Eligible Transferee reasonably acceptable to Agent and to Borrower, provided that: (i) all Obligations of Borrower owing to such Lender Party being replaced (including such increased costs, but excluding principal and accrued interest on the Notes being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and (ii) the replacement Eligible Transferee shall purchase the Note being assigned by paying to such Lender Party a price equal to the principal amount thereof plus accrued and unpaid interest thereon. In connection with any such assignment Borrower, Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.6. Notwithstanding the foregoing rights of Borrower under this section, however, Borrower may not replace any Lender Party which seeks reimbursement for increased costs under any of Sections 3.2, 3.3, 3.4, 3.5 or 3.6, unless Borrower is at the same time replacing all Lender Parties which are then seeking such compensation. In connection with any such replacement of a Lender Party, Borrower shall pay all costs that would have been due to such Lender Party pursuant to Section 3.5 if such Lender Party's Loans had been prepaid at the time of such replacement.

Section 3.9. Participants. If a Lender has assigned a participation in its Loans or commitment hereunder to another Person in accordance with Section 10.6, any amount otherwise payable by Borrower to such Lender under Section 3.3 through 3.6 (in this section called "Increased Costs"), shall include that portion of the Increased Costs determined by such Lender to be allocable to the amount of any interest or participation transferred by such Lender in such Lender's Loan or commitments under this Agreement.

ARTICLE IV - Conditions Precedent to Lending

Section 4.1. Documents to be Delivered. No Lender has any obligation to make its first Loan unless Agent shall have received all of the following, duly executed and delivered and in form, substance and date satisfactory to Agent:

(a) This Agreement and any other documents that Lenders are to execute in connection herewith.

(b) Each Note.

(c) Each Security Document listed in the Security Schedule.

(d) Certain certificates of Borrower including:

(i) An "Omnibus Certificate" of the Secretary and of the Chairman of the Board or President of Borrower, which shall contain the names and signatures of the officers of Borrower authorized to execute Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Board of Directors of Borrower and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of Borrower and all amendments thereto, certified by the appropriate official of Borrower's state of organization, and (3) a copy of any bylaws of Borrower; and

(ii) A "Compliance Certificate" of the Chairman of the Board or President and of the chief financial officer of Borrower, of even date with such Loan, in which such officers certify to the satisfaction of the conditions set out in subsections (a), (b), (c) and (d) of Section 4.2.

(e) A certificate (or certificates) of the due formation, valid existence and good standing of Borrower in its state of organization, issued by the appropriate authorities of such jurisdiction, and certificates of Borrower's good standing and due qualification to do business, issued by appropriate officials in any states in which Borrower owns property subject to Security Documents.

(f) Documents similar to those specified in subsections (d)(i) and (e) of this section with respect to each other Restricted Person that is a party to the Loan Documents and the execution by it of such Loan Document.

(g) A favorable opinion of Schully Roberts Slattery & Jaubert, counsel for Restricted Persons, substantially in the form set forth in Exhibit F, and a favorable opinion of Nevada counsel for Borrower regarding the due incorporation, existence and good standing of Borrower in the State of Nevada.

(h) The Initial Engineering Report and the Initial Financial Statements, each satisfactory to Agent, in its sole discretion.

(i) Certificates or binders evidencing Restricted Persons' insurance in effect on the date hereof.

(j) Favorable title and environmental reports, in scope and results acceptable to Agent.

(k) Solvency Certificate of W&T LLC.

(l) The closing of the Mahogany Acquisition on terms acceptable to Agent by the date hereof.

Section 4.2. Additional Conditions Precedent to First Loan. No Lender has any obligation to make its first Loan, unless the following conditions precedent have been satisfied:

(a) Agent shall have completed its due diligence with respect to the Restricted Persons and their properties (including, but not limited to due diligence with respect to capital structure, title and environmental matters) and shall have received such reports and data as it shall have

deemed necessary in connection therewith, and such due diligence, reports and data shall be satisfactory to Agent, in its sole discretion.

(b) Agent shall have received payment of all commitment, facility, agency and other fees required to be paid to any Lender Party pursuant to any Loan Documents or any commitment agreement heretofore entered into and all fees and disbursements of Agent's counsel.

Section 4.3. Additional Conditions Precedent to All Loans. No Lender has any obligation to make any Loan (including its first), unless the following conditions precedent have been satisfied:

(a) All representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan (except to the extent that the facts upon which such representations are based have been changed by the extension of credit hereunder) as if such representations and warranties had been made as of the date of such Loan.

(b) No Default shall exist at the date of such Loan.

(c) No Material Adverse Change shall have occurred to, and no event or circumstance shall have occurred that could cause a Material Adverse Change to, Borrower's Consolidated financial condition or businesses since the date of this Agreement.

(d) Each Restricted Person shall have performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date of such Loan.

(e) The making of such Loan shall not be prohibited by any Law and shall not subject any Lender to any penalty or other onerous condition under or pursuant to any such Law.

(f) Agent shall have received all documents and instruments which Agent has then requested, in addition to those described in Section 4.1 and 4.2 (a) (including opinions of legal counsel for Restricted Persons and Agent; corporate documents and records; documents evidencing governmental authorizations, consents, approvals, licenses and exemptions; and certificates of public officials and of officers and representatives of Borrower and other Persons), as to (i) the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in this Agreement and the other Loan Documents, (ii) the satisfaction of all conditions contained herein or therein, and (iii) all other matters pertaining hereto and thereto. All such additional documents and instruments shall be satisfactory to Agent in form, substance and date.

ARTICLE V - Representations and Warranties

To confirm each Lender Party's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender Party to enter into this Agreement and to extend credit hereunder, Borrower represents and warrants to each Lender Party that:

Section 5.1. No Default. No Restricted Person is in default in the performance of any of the covenants and agreements contained in any Loan Document. No event has occurred and is continuing which constitutes a Default.

Section 5.2. Organization and Good Standing. Each Restricted Person is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions within the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary. Each Restricted Person has taken all actions and procedures customarily taken in order to enter, for the purpose of conducting business or owning property, each jurisdiction outside the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such actions and procedures desirable.

Section 5.3. Authorization. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by the various Restricted Persons of the Loan Documents to which each is a party, the

performance by each of its obligations under such Loan Documents, and the consummation of the transactions contemplated by the various Loan Documents, do not and will not (i) conflict with any provision of (1) any Law, (2) the organizational documents of any Restricted Person, or (3) any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person, (ii) result in the acceleration of any Indebtedness owed by any Restricted Person, or (iii) result in or require the creation of any Lien upon any assets or properties of any Restricted Person except as expressly contemplated in the Loan Documents. Except as expressly contemplated in the Loan Documents no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by any Restricted Person of any Loan Document or to consummate any transactions contemplated by the Loan Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan Documents when duly executed and delivered will be, legal, valid and binding obligations of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

Section 5.6. Initial Financial Statements. Borrower has heretofore delivered to each Lender Party true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present Borrower's Consolidated financial position at the respective dates thereof and the Consolidated results of Borrower's operations and Borrower's Consolidated cash flows for the respective periods thereof. Since the date of the audited Initial Financial Statements no Material Adverse Change has occurred, except as reflected in the quarterly Initial Financial Statements or in the Disclosure Schedule. All Initial Financial Statements were prepared in accordance with GAAP.

Section 5.7. Other Obligations and Restrictions. No Restricted Person has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which is, in the aggregate, material to Borrower or material with respect to Borrower's Consolidated financial condition and not shown in the Initial Financial Statements or disclosed in the Disclosure Schedule or a Disclosure Report. Except as shown in the Initial Financial Statements or disclosed in the Disclosure Schedule or a Disclosure Report, no Restricted Person is subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction which could cause a Material Adverse Change.

Section 5.8. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by any Restricted Person to any Lender Party in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or omits to state any material fact known to any

Restricted Person (other than industry-wide risks normally associated with the types of businesses conducted by Restricted Persons) necessary to make the statements contained herein or therein not misleading as of the date made or deemed made. There is no fact known to any Restricted Person (other than industry-wide risks normally associated with the types of businesses conducted by Restricted Persons) that has not been disclosed to each Lender Party in writing which could cause a Material Adverse Change. There are no statements or conclusions in any Engineering Report which are based upon or include misleading information or fail to take into account material information regarding the matters reported therein, it being understood that each Engineering Report is necessarily based upon professional opinions, estimates and projections and that Borrower does not warrant that such opinions, estimates and projections will ultimately prove to have been accurate. Borrower has heretofore delivered to each Lender Party true, correct and complete copies of the Initial Engineering Report.

Section 5.9. Litigation. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule: (i) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of any Restricted Person threatened, against any Restricted Person before any Tribunal which could cause a Material Adverse Change, and (ii) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against any Restricted Person or any Restricted Person's stockholders, partners, directors or officers which could cause a Material Adverse Change.

Section 5.10. Labor Disputes and Acts of God. Except as disclosed in the Disclosure Schedule or a Disclosure Report, neither the business nor the properties of any Restricted Person has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could cause a Material Adverse Change.

Section 5.11. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in the Disclosure Schedule or a Disclosure Report. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule or a Disclosure Report, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any "multiemployer plan" as defined in Section 4001 of ERISA. Except as set forth in the Disclosure Schedule or a Disclosure Report: (i) no "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code of 1986, as amended) exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, and (ii) the current value of each ERISA Plan's benefits does not exceed the current value of such ERISA Plan's assets available for the payment of such benefits by more than $100,000.

Section 5.12. Environmental and Other Laws. Except as disclosed in the Disclosure Schedule or a Disclosure Report: (a) Restricted Persons are conducting their businesses in compliance with all applicable Laws, including Environmental Laws, in all material respects and have and are in compliance with all licenses and permits required under any such Laws in all material respects, and there are no circumstances that may prevent or interfere with the ability of the Restricted Persons to conduct their business in compliance with applicable Laws, including Environmental Laws; (b) none of the operations or properties of any Restricted Person is the

subject of a pending Environmental Claim or to the best of Borrower's knowledge a threatened Environmental Claim; (c) no Restricted Person (and to the best knowledge of Borrower, no other Person) has filed any notice under any Law indicating that any Restricted Person is responsible for the improper Release, or the improper storage or disposal, of any Hazardous Materials or that any Hazardous Materials have been improperly Released, or are improperly stored or disposed of, upon any property of any Restricted Person; (d) except as necessary to conduct the business of the Restricted Persons, Hazardous Materials have not been present, generated, used, treated, or stored on or transported to or from the property of any Restricted Person, and no Restricted Person has transported or arranged for the transportation of any Hazardous Material to any location which is (i) listed on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, listed for possible inclusion on such National Priorities List by the Environmental Protection Agency in its Comprehensive Environmental Response, Compensation and Liability Information System List, or listed on any similar state list or (ii) the subject of federal, state or local enforcement actions or other investigations which may lead to Environmental Claims against any Restricted Person; and (e) no Restricted Person otherwise has any known material contingent liability under any Environmental Laws or in connection with a Release, or the storage or disposal, of any Hazardous Materials.

Section 5.13. Names and Places of Business. No Restricted Person has, during the preceding five years, had, been known by, or used any other trade or fictitious name, except as disclosed in the Disclosure Schedule. Except as otherwise indicated in the Disclosure Schedule or a Disclosure Report, the chief executive office and principal place of business of each Restricted Person are (and for the preceding five years have been) located at the address of Borrower set out in Section 10.3. Except as indicated in the Disclosure Schedule or a Disclosure Report, no Restricted Person has any other office or place of business.

Section 5.14. Borrower's Subsidiaries. Borrower does not presently have any Subsidiary or own any stock in any other corporation or association, except those listed in the Disclosure Schedule or a Disclosure Report. Neither Borrower nor any Restricted Person is a member of any general or limited partnership, joint venture or association of any type whatsoever except (i) those listed in the Disclosure Schedule or a Disclosure Report, and (ii) associations, joint ventures or other relationships whose businesses are limited to the exploration, development and operation of oil, gas or mineral properties and interests owned directly by the parties in such associations, joint ventures or relationships. Except as otherwise revealed in a Disclosure Report, Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in the Disclosure Schedule.

Section 5.15. Title to Properties; Licenses. Each Restricted Person has good and marketable title to all of its material properties and assets, free and clear of all Liens other than Permitted Liens and of all impediments to the use of such properties and assets in such Restricted Person's business, except that no representation or warranty is made with respect to any oil, gas or mineral property or interest to which no proved oil or gas reserves are properly attributed. Each Restricted Person possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be

conducted hereafter, and no Restricted Person is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property.

Section 5.16. Government Regulation. Neither Borrower nor any other Restricted Person owing Obligations is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Investment Company Act of 1940 (as any of the preceding acts have been amended) or any other Law which regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services.

Section 5.17. Insider. No Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. (S) 375b(9) or in regulations promulgated pursuant thereto) of any Restricted Person, is a "director" or an "executive officer" or "principal shareholder" (as those terms are defined in 12 U.S.C. (S) 375b(8) or (9) or in regulations promulgated pursuant thereto) of any Lender Party, of a bank holding company of which any Lender Party is a Subsidiary or of any Subsidiary of a bank holding company of which any Lender Party is a Subsidiary.

ARTICLE VI - Affirmative Covenants of Borrower

To conform with the terms and conditions under which each Lender Party is willing to have credit outstanding to Borrower, and to induce each Lender Party to enter into this Agreement and extend credit hereunder, Borrower warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Required Lenders have previously agreed otherwise:

Section 6.1. Payment and Performance. Borrower will pay all amounts due under the Loan Documents in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition expressed or implied in the Loan Documents. Borrower will cause each other Restricted Person to observe, perform and comply with every such term, covenant and condition.

Section 6.2. Books' Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. Borrower will maintain and will cause its Subsidiaries to maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to each Lender Party at Borrower's expense:

(a) As soon as available, and in any event by the one hundred and fifth (105th) day after the end of each Fiscal Year, complete Consolidated and consolidating financial statements of Borrower together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by KPMG Peat Marwick, LLP or other independent certified public accountants selected by Borrower and acceptable to Required Lenders, stating that such Consolidated and consolidating financial statements have been so prepared. These financial statements shall contain Consolidated and consolidating balance sheet as of the end of such Fiscal Year and Consolidated and consolidating statements of earnings, of cash flows, and of changes in owners' equity for

such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year. Together with such financial statements, Borrower will furnish a report signed by such accountants (i) stating that they have read this Agreement, and (ii) further stating that in making their examination and reporting on the Consolidated and consolidating financial statements described above they did not conclude that any Default existed at the end of such Fiscal Year or at the time of their report, or, if they did conclude that a Default existed, specifying its nature and period of existence.

(b) As soon as available, and in any event by the earlier of the sixtieth (60th) day after the end of the first three Fiscal Quarters in each Fiscal Year, Borrower's Consolidated balance sheet as of the end of such Fiscal Quarter and Consolidated statements of Borrower's earnings and cash flows for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, and setting forth in comparative form the corresponding figures for the corresponding Fiscal Quarter of the preceding Fiscal Year, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments. In addition Borrower will, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a certificate in the form of Exhibit D signed by the chief financial officer of Borrower stating that such financial statements are accurate and complete (subject to normal year-end

adjustments), stating that he has reviewed the Loan Documents, containing calculations showing compliance (or non-compliance) at the end of such Fiscal Quarter with the requirements of Sections 7.11, 7.12 and 7.13, and stating that no Default exists at the end of such Fiscal Quarter or at the time of such certificate or specifying the nature and period of existence of any such Default.

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by any Restricted Person to its stockholders and all registration statements, periodic reports and other statements and schedules filed by any Restricted Person with any securities exchange, the SEC or any similar governmental authority.

(d) By March 1 of each year, an engineering report dated as of January 1 of such year, prepared by Collarini Engineering Inc., or other independent petroleum engineers chosen by Borrower and acceptable to Required Lenders, concerning all oil and gas properties and interests owned by any Restricted Person which are located in or offshore of the United States and which have attributable to them proved oil or gas reserves. This report shall be satisfactory to Agent, shall take into account any "over-produced" status under gas balancing arrangements, and shall contain information and analysis comparable in scope to that contained in the Initial Engineering Report. This report shall distinguish (or shall be delivered together with a certificate from an appropriate officer of Borrower which distinguishes) those properties treated in the report which are Collateral from those properties treated in the report which are not Collateral.

(e) By September 1 of each year, an engineering report dated as of July 1 of such year, prepared by Borrower's in-house petroleum engineering staff, concerning all oil and gas properties and interests owned by any Restricted Person which are located in

or offshore of the United States and which have attributable to them proved oil or gas reserves. This report shall be satisfactory to Agent, shall take into account any "over-produced" status under gas balancing arrangements, and shall contain information and analysis comparable in scope to that contained in the Initial Engineering Report. This report shall distinguish (or shall be delivered together with a certificate from an appropriate officer of Borrower which distinguishes) those properties treated in the report which are Collateral from those properties treated in the report which are not Collateral.

(f) With the delivery of each Engineering Report, the Borrower shall provide to each Lender Party, a certificate from the president or chief financial officer of Borrower certifying that, to the best of his knowledge and in all material respects: (i) the information contained in such Engineering Report and any other information delivered in connection therewith is true and correct, (ii) Borrower and W&T LLC own good and defensible title to the oil and gas properties evaluated in such Engineering Report (in this section called the "Covered Properties") and are free of all Liens except for Liens permitted by Section 7.2, (iii) except as set forth on an exhibit to the certificate, on a net basis there are no gas imbalances, take or pay or other prepayments with respect to its oil and gas properties evaluated in such Engineering Report (other than those permitted by the Security Documents) which would require Borrower or such Subsidiary to deliver hydrocarbons produced from such oil and gas properties at some future time without then or thereafter receiving full payment therefor, (iv) none of the Covered Properties has been sold since the date of the last Borrowing Base determination except as set forth on an exhibit to the certificate, which certificate shall list all of such properties sold and in such detail as reasonably required by Agent, (v) attached to the certificate is a list of all Persons disbursing proceeds to Borrower or such Subsidiary from its oil and gas properties, and (vi) set forth on a schedule attached to the certificate is the present discounted value of all Covered Properties that are part of the Mortgaged Properties, (vii) oil and gas properties which comprise at least eighty percent (80%) of the total value of the reserves which are included within the Covered Properties are part of the Mortgaged Properties, and (viii) oil and gas properties which comprise at least ninety-five percent (95%) of the total value of the proved developed producing reserves which are included within the Covered Properties are part of the Mortgaged Properties.

(g) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, a report describing (i) the gross volume of production and sales attributable to production during such Fiscal Year from the properties described in subsection (d) above and describing the related taxes, leasehold operating expenses and capital costs attributable thereto and incurred during such Fiscal Year; and (ii) volumes, prices and margins for all marketing activities of the Restricted Persons.

(h) As soon as available, and in any event within thirty (30) days after the end of each calendar month, a report describing the gross volume of production and sales attributable to production during such calendar month.

Section 6.3. Other Information and Inspections. Each Restricted Person will furnish to each Lender Party any information which Agent may from time to time reasonably request in writing concerning any covenant, provision or condition of the Loan Documents or any matter in

connection with Restricted Persons' businesses and operations. Each Restricted Person will permit representatives appointed by Agent (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours any of such Restricted Person's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and each Restricted Person shall permit Agent or its representatives to investigate and verify the accuracy of the information furnished to Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and representatives.

Section 6.4. Notice of Material Events and Change of Address. Borrower will promptly notify each Lender Party in writing, stating that such notice is being given pursuant to this Agreement, of:

(a) the occurrence of any Material Adverse Change,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by any Restricted Person or of any default by any Restricted Person under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such acceleration or default could cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) any matter for which notice is required under Section 6.12(d),

(f) the filing of any suit or proceeding against any Restricted Person in which an adverse decision could cause a Material Adverse Change, and

(g) the occurrence of any material change or disruption under or with respect to any material contract of Borrower.

Upon the occurrence of any of the foregoing Restricted Persons will take all necessary or appropriate steps to remedy promptly any such Material Adverse Change, Default, acceleration, default or Termination Event, to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing. Borrower will also notify Agent and Agent's counsel in writing at least twenty Business Days prior to the date that any Restricted Person changes its name or the location of its chief executive office or principal place of business or the place where it keeps its books and records concerning the Collateral, furnishing with such notice any necessary financing statement amendments or requesting Agent and its counsel to prepare the same.

Section 6.5. Maintenance of Properties. Each Restricted Person will maintain, preserve, protect, and keep all Collateral and all other property used or useful in the conduct of its business in good condition and in compliance with all applicable Laws, and will from time to

time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times.

Section 6.6. Maintenance of Existence and Qualifications. Each Restricted Person will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify will not cause a Material Adverse Change.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Each Restricted Person will (a) timely file all required tax returns; (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property; (c) within ninety (90) days after the same

becomes due pay all Liabilities owed by it on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business; (d) pay and discharge when due all other Liabilities now or hereafter owed by it; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP. Each Restricted Person may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings (promptly instituted and diligently concluded) and has set aside on its books adequate reserves therefor.

Section 6.8. Insurance. Each Restricted Person will keep or cause to be kept insured by financially sound and reputable insurers its property in accordance with the Insurance Schedule.

Section 6.9. Performance on Borrower's Behalf. If any Restricted Person fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, Agent may pay the same. Borrower shall immediately reimburse Agent for any such payments and each amount paid by Agent shall constitute an Obligation owed hereunder which is due and payable on the date such amount is paid by Agent.

Section 6.10. Interest. Borrower hereby promises to each Lender Party to pay interest at the Default Rate on all Obligations (including Obligations to pay fees or to reimburse or indemnify any Lender Party) which Borrower has in this Agreement promised to pay to such Lender Party and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 6.11. Compliance with Agreements and Law. Each Restricted Person will perform all material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, franchise, agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound. Each Restricted Person will conduct its business and affairs in compliance with all Laws applicable thereto, in all material respects.

Section 6.12. Environmental Matters; Environmental Reviews.

(a) Each Restricted Person will comply in all material respects with all Environmental Laws now or hereafter applicable to such Restricted Person and shall obtain, at or prior to the time required by applicable Environmental Laws, all

environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect.

(b) The Restricted Persons will not dispose of, Release, treat, store, use, recycle or generate or transport Hazardous Material or permit same to occur on their properties other than in the regular course of business in compliance with Environmental Laws in all material respects.

(c) Borrower will promptly furnish to Agent all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by Borrower, or of which it has notice, pending or threatened against Borrower, by any governmental authority or any other Person with respect to any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations in connection with its ownership or use of its properties or the operation of its business, as well as reasonably detailed files concerning any material Release or existence involving a Hazardous Material; and Borrower shall conduct and complete any investigation, sampling, monitoring and testing and undertake any action required under Environmental Laws with due diligence and in compliance therewith in all material respects.

(d) Borrower will promptly furnish to Agent all requests for information, notices of claim, demand letters, and other notifications, involving an Environmental Claim in excess of $500,000 received by Borrower in connection with its ownership or use of its properties or the conduct of its business, relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location.

(e) Concurrent with the furnishing of financial statements pursuant to Section 6.2(a), Borrower will furnish to Agent a reasonably detailed written description of all material environmental claims and violation of Environmental Laws.

Section 6.13. Evidence of Compliance. Each Restricted Person will furnish to each Lender Party at such Restricted Person's or Borrower's expense all evidence which Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in the Loan Documents, the satisfaction

of all conditions contained therein, and all other matters pertaining thereto.

Section 6.14. Solvency. Upon giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrower and the consummation of the transactions contemplated hereby and the making of each Advance, Borrower will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar laws).

Section 6.15. Maintenance of Liens on Properties. The Mortgaged Properties shall constitute at least eighty percent (80%) of the total value of the oil and gas reserves of the Restricted Persons and at least ninety-five percent (95%) of the total value of the proved developed producing reserves of the Restricted Persons (in this section called the "Required Percentages"). Within thirty (30) days following each Determination Date, Borrower will

execute and deliver documentation in form and substance satisfactory to Agent, granting to Agent first perfected Liens on oil and gas properties that are not then part of the Mortgaged Properties, sufficient to cause the Mortgaged Properties to include the Required Percentages. In addition, Borrower will furnish to Agent title due diligence in form and substance satisfactory to Agent and will furnish all other documents and information relating to such properties as Agent may reasonably request.

Section 6.16. Obtaining Assignments under Farmout Agreement, Perfection and Protection of Security Interests and Liens. Borrower will promptly take all action that is required under the Farmout Agreement to obtain, from time to time, assignments of oil and gas property interests earned thereunder and will promptly record such assignments in the appropriate records. In addition, Borrower will from time to time deliver, and will cause each other Restricted Person from time to time to deliver, to Agent any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by Restricted Persons in form and substance satisfactory to Agent, which Agent requests for the purpose of perfecting, confirming, or protecting any Liens or other rights in Collateral securing any Obligations. At the time of recording of the Security Documents, counsel for Borrower shall conduct searches of the lien, judgment, litigation and UCC records of the counties and offices where such documents are filed and promptly upon receipt thereof from such offices forward such searches to Agent's counsel together with the original recorded Security Documents and file stamped copies of the related financing statements. Borrower shall, to the satisfaction of Agent, assure that the instruments (or certified copies thereof) constituting the complete, direct chain of title (including without limitation, the original lease), with respect to any Mortgaged Property, is filed of record in the relevant parish or county real estate records.

Section 6.17. Bank Accounts; Offset. To secure the repayment of the Obligations Borrower hereby grants to each Lender Party a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender Party at common law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of Borrower now or hereafter held or received by or in transit to any Lender Party from or for the account of Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of Borrower with any Lender Party, and (c) any other credits and claims of Borrower at any time existing against any Lender Party, including claims under certificates of deposit. At any time and from time to time after the occurrence of any Default, each Lender Party is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to Borrower), any and all items herein above referred to. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

Section 6.18. Production Proceeds. Notwithstanding that, by the terms of the various Security Documents, the grantors thereunder are and will be assigning to Agent and Lenders all of the "Production Proceeds" (as defined therein and in this section collectively called "Proceeds") accruing to the property covered thereby, so long as no Default has occurred such Persons may continue to receive from the purchasers of production all such Proceeds, subject,

however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified. Upon the occurrence of a Default, Agent and Lenders may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Proceeds then held by Restricted Persons or to receive directly from the purchasers of production all other Proceeds. In no case shall any failure, whether purposed or inadvertent, by Agent or Lenders to collect directly any such Proceeds constitute in any way

a waiver, remission or release of any of their rights under the Security Documents, nor shall any release of any Proceeds by Agent or Lenders to Restricted Persons constitute a waiver, remission, or release of any other Proceeds or of any rights of Agent or Lenders to collect other Proceeds thereafter.

Section 6.19. Guaranties of Borrower's Subsidiaries. Each Subsidiary of Borrower shall, promptly upon request by Agent, execute and deliver to Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower hereunder, which guaranty shall be satisfactory to Agent in form and substance. Borrower will cause each of its Subsidiaries to deliver to Agent, simultaneously with its delivery of such a guaranty, written evidence satisfactory to Agent and its counsel that such Subsidiary has taken all action necessary to duly approve and authorize its execution, delivery and performance of such guaranty and any other documents which it is required to execute.

ARTICLE VII - Negative Covenants of Borrower

To conform with the terms and conditions under which each Lender Party is willing to have credit outstanding to Borrower, and to induce each Lender Party to enter into this Agreement and make the Loans, Borrower warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Required Lenders have previously agreed otherwise:

Section 7.1. Indebtedness. No Restricted Person will in any manner owe or be liable for Indebtedness except:

(a) the Obligations and the Acquisition Agreement Obligations.

(b) unsecured Indebtedness among the Restricted Persons.

(c) Indebtedness outstanding under the instruments and agreements described on the Disclosure Schedule, and any renewals or extensions thereof provided that the amount of such Liabilities is not increased nor the terms thereof changed in any manner which is less favorable to such Restricted Person than the original terms of such Liabilities.

(d) Indebtedness arising under Hedging Contracts that are permitted under Section 7.3.

(e) obligations arising with respect to sale and lease-back transactions and operating leases entered into in the ordinary course of such Restricted Person's business in arm's length transactions at competitive market rates under competitive terms and

conditions in all respects, provided that the obligations required to be paid in any Fiscal Year under or with respect to such sale and lease-back transactions and any such operating leases do not in the aggregate exceed $500,000.

(f) unsecured miscellaneous items of Indebtedness not described in subsections (a) through (e) which do not in the aggregate (taking into account all such Indebtedness of all Restricted Persons) exceed an amount equal to $1,000,000, at any one time outstanding.

Section 7.2. Limitation on Liens. No Restricted Person will create, assume or permit to exist any Lien upon any of the properties or assets which it now owns or hereafter acquires, except, to the extent not otherwise forbidden by the Security Documents the following ("Permitted Liens"):

(a) Liens which secure Obligations or the Acquisition Agreement Obligations.

(b) statutory Liens for taxes, statutory mechanics' and materialmen's Liens incurred in the ordinary course of business, and other similar Liens incurred in the ordinary course of business, provided such Liens do not secure Indebtedness and secure only obligations (i) which are not delinquent or (ii) which are being contested as provided in Section 6.7 and which do not exceed $500,000 in the aggregate.

(c) as to property which is Collateral, any Liens expressly permitted to encumber such Collateral under any Security Document covering such Collateral.

(d) purchase money security interests in equipment acquired by the Restricted Persons, provided that such security interests secure only the Indebtedness incurred for the purchase of such equipment and such security interests encumber only the equipment acquired with the proceeds of such Indebtedness.

(e) deposits made to counterparties in connection with Hedging Contracts; provided that the aggregate amount of such deposits shall not exceed $1,000,000.

Section 7.3. Hedging Contracts. No Restricted Person will be a party to or in any manner be liable on any Hedging Contract, except:

(a) Borrower shall at all times during the Required Oil Hedge Period maintain contracts which fix prices on oil which is expected to be produced by Restricted Persons or which the Restricted Persons are legally obligated to purchase under purchase contracts then in effect, covering at least the Required Hedging Oil Amount of Projected Oil Production anticipated to be sold in the ordinary course of Restricted Persons' businesses during each month, provided that (1) no such contract shall require any Restricted Person to put up money (except as provided in Section 7.2(e)), assets, letters of credit (unless the Indebtedness arising with respect thereto is permitted under Section 7.1(f)), or other security against the event of its nonperformance prior to actual default by such Restricted Person in performing its obligations thereunder, and (2) each such contract shall be with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender Party or one of its Affiliates) at

the time the contract is made has long-term obligations rated BBB- or Baa3 or better, respectively, by either Rating Agency or is an investment grade-rated industry participant.

(b) Any Restricted Person may enter into contracts for the purpose and effect of fixing prices on oil or gas which is expected to be produced by Restricted Persons or which the Restricted Persons are legally obligated to purchase under purchase contracts then in effect, provided that at all times: (1) the aggregate monthly oil production covered by all such contracts (determined, in the case of contracts that are not settled on a monthly basis, by a monthly proration acceptable to Agent) for any single month does not in the aggregate exceed the sum of eighty-five percent (85%) of Projected Oil Production anticipated to be sold in the ordinary course of Restricted Persons' businesses for such month, (2) the aggregate monthly gas production covered by all such contracts (determined, in the case of contracts that are not settled on a monthly basis, by a monthly proration acceptable to Agent) for any single month does not in the aggregate exceed the sum of eighty-five percent (85%) of Projected Gas Production anticipated to be sold in the ordinary course of Restricted Persons' businesses for such month, (3) no such contract requires any Restricted Person to put up money (except as provided in Section 7.2(e)), assets, letters of credit (unless the Indebtedness arising with respect thereto is permitted under Section 7.1(f), or other security against the event of its nonperformance prior to actual default by such Restricted Person in performing its obligations thereunder, and (4) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender Party or one of its Affiliates) at the time the contract is made has long-term obligations rated BBB- or Baa3 or better, respectively, by either Rating Agency or is an investment grade-rated industry participant.

(c) Any Restricted Person may enter into contracts for the purpose and effect of fixing interest rates on a principal amount of indebtedness of such Restricted Person that is accruing interest at a variable rate, provided that (1) the aggregate notional amount of such contracts never exceeds seventy-five percent (75%) of the anticipated outstanding principal balance of the indebtedness to be hedged by such contracts or an average of such principal balances calculated using a generally accepted method of matching interest swap contracts to declining principal balances, (2) the floating rate index of each such contract generally matches the index used to determine the floating rates of interest on the corresponding indebtedness to be hedged by such contract and (3) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender Party or one of its Affiliates) at the time the contract is made has long-term obligations rated AA or Aa2 or better, respectively, by either Rating Agency.

Section 7.4. Limitation on Mergers, Issuances of Securities. Except as expressly provided in this subsection no Restricted Person will merge or consolidate with or into any other business entity. Any Subsidiary of Borrower may, however, be merged into or consolidated with (i) another Subsidiary of Borrower, or (ii) Borrower, so long as Borrower is the surviving business entity. Borrower will not issue any securities other than shares of its common stock and any options or warrants giving the holders thereof only the right to acquire such shares; provided,

however, that the net proceeds of any such issuance shall first be applied as a mandatory prepayment of the Loans under Section 2.7(a), if, at the time of such issuance, the Facility Usage exceeds the Borrowing Base. No Subsidiary of Borrower will issue any additional shares of its Capital Stock or other securities or any options, warrants or other rights to acquire such additional shares or other securities except to Borrower.

Section 7.5. Limitation on Sales of Property. No Restricted Person will sell, transfer, lease, exchange, alienate or dispose of any of its material assets or properties or any material interest therein except, to the extent not otherwise forbidden under the Security Documents:

(a) equipment which is worthless or obsolete or which is replaced by equipment of equal suitability and value.

(b) inventory (including oil, natural gas, natural gas liquids or hydrocarbons or mineral products and seismic data) which is sold in the ordinary course of business on ordinary trade terms.

(c) interests in oil and gas properties, or portions thereof, that are sold for fair consideration; provided that Borrower shall notify Agent in writing at least five (5) Business days prior to the date on which any such interests are expected to be sold and if the aggregate consideration for sales made pursuant to this subsection (c) since the most recent Determination Date exceeds $10,000,000, Agent and Lenders shall have the right to reduce the Borrowing Base in connection with each such sale by the value which has been attributed to such property in the Borrowing Base, such reduced Borrowing Base to be effective upon the date of each such sale.

(d) other property (excluding Collateral) which is sold for fair consideration not in the aggregate in excess of $1,000,000 in any Fiscal Year, so long as property sold is not included in the Borrowing Base.

Neither Borrower nor any of Borrower's Subsidiaries will sell, transfer or otherwise dispose of Capital Stock of any of Borrower's Subsidiaries except that any Subsidiary of Borrower may sell or issue its own Capital Stock to the extent not otherwise prohibited hereunder. No Restricted Person will discount, sell, pledge or assign any notes payable to it, accounts receivable or future income except to the extent expressly permitted under the Loan Documents.

Section 7.6. Limitation on Distributions; Redemptions and Prepayments of Indebtedness. No Restricted Person will make any Distribution, except as expressly provided in this section, and no Restricted Person will redeem, purchase, prepay or defease any Indebtedness other, than the Obligations, prior to the original maturity thereof. Distributions may be made (i) by Subsidiaries of Borrower without limitation to Borrower, (ii) by Borrower to any of its shareholders on any date in an amount not to exceed the Available Distribution Amount, and (iii) by Borrower to its Shareholders, provided such distribution is a Permitted Tax Distribution. "Permitted Tax Distribution" means, with respect to any shareholder of Borrower, distributions by Borrower to such shareholder to pay taxes of such shareholder attributable to such shareholder's interest in Borrower; provided that the computation of the amount of any such distribution shall have been proven by Borrower to the reasonable satisfaction of Agent, and,

provided further that no such distribution described in clauses (i), (ii), or (iii) above shall be permitted if (a) an Event of Default has occurred and is continuing, (b) an Event of Default would occur as a result of such distribution, or (c) a Borrowing Base Deficiency exists. "Available Distribution Amount" means on any date (the "Calculation Date") the amount equal to (i) the sum of all Quarterly Distribution Amounts calculated for the period from January 1, 1999, until the end of the most recent Fiscal Quarter ended on or prior to the Calculation Date minus (ii) the sum of all Quarterly Distribution Amounts distributed during such period. "Quarterly Distribution Amount" means, for each Fiscal Quarter, W&T LLC's EBITDA minus W&T LLC's capital expenditures for such Fiscal Quarter. In addition to the foregoing Borrower may declare and pay to any Persons dividends payable only in its common stock.

Section 7.7. Limitation on Investments and New Businesses. No Restricted Person will (i) make any expenditure or commitment or incur any obligation or enter into or engage in any transaction except in the ordinary course of business or except as otherwise expressly permitted hereunder, (ii) engage directly or indirectly in any business or conduct any operations except the exploration, development and production of oil and gas, (iii) make any acquisitions of or Investments in any Person, except Investments in Cash Equivalents and Investments in Wholly-owned Subsidiaries of Borrower, (iv) make any significant acquisition of or Investments in any properties except oil and gas properties; provided that no acquisition or Investment permitted under the immediately preceding clause (iv) may be made if a Default, Event of Default or Borrowing Base Deficiency exists at the time such acquisition or Investment is made or will occur as a result thereof.

Section 7.8. Limitation on Credit Extensions. Except for Investments permitted by Section 7.7, no Restricted Person will extend credit, make advances or make loans other than (i) normal and prudent extensions of credit to customers buying goods and services in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner, and (ii) loans to other Restricted Persons, so long as no Default, Event of Default or Borrowing Base Deficiency exists at the time such loan is made.

Section 7.9. Transactions with Affiliates; Creation of Subsidiaries. No Restricted Person will (i) engage in any material transaction with any of its Affiliates on terms which are less favorable to it than those which would have been obtainable at the time in arm's-length dealing with Persons other than such Affiliates, provided that such restriction shall not apply to transactions among the Restricted Persons; or (ii) create or acquire any Subsidiary after the date hereof.

Section 7.10. Certain Contracts; Amendments; Multiemployer ERISA Plans. Except as expressly provided for in the Loan Documents, no Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Subsidiary of Borrower to: (i) pay dividends or make other distributions to Borrower, (ii) to redeem equity interests held in it by Borrower, (iii) to repay loans and other indebtedness owing by it to Borrower, or (iv) to transfer any of its assets to Borrower. No Restricted Person will enter into any "take-or-pay" contract or other contract or arrangement for the purchase of goods or services which obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it. No Restricted Person will amend or permit any

amendment to any other contract or lease which releases, qualifies, limits, makes contingent or otherwise detrimentally affects the rights and benefits of Agent or any Lender under or acquired pursuant to any Security Documents. No ERISA Affiliate will incur any obligation to contribute to any "multiemployer plan" as defined in Section 4001 of ERISA.

Section 7.11. Current Ratio. The ratio of Borrower's Consolidated current assets to Borrower's Consolidated current liabilities will never be less than 1.0 to 1.0. For purposes of this section, Borrower's Consolidated current assets will include any unused portion of the Borrowing Base which is then available for borrowing, and Borrower's Consolidated current liabilities will be calculated without including any payments of principal on the Notes which are required to be repaid within one year from the time of calculation.

Section 7.12. Tangible Net Worth. Borrower's Consolidated Tangible Net Worth will never be less than the sum of (i) $50,000,000 plus (ii) fifty percent (50%) of Borrower's Consolidated Net Income earned during the period from December 31, 1999] through and including the last day of the calendar month immediately preceding the date of calculation plus (iii) seventy-five percent (75%) of the net proceeds of any offering of non-redeemable preferred or common stock by Borrower.

Section 7.13. Interest Coverage. At the end of any Fiscal Quarter (beginning with the Fiscal Quarter ended March 31, 2000, the ratio of (a) EBITDA of Borrower to (b) Consolidated Interest Expense of Borrower for the Four Quarter Period then ended shall not be less than 5.0 to 1.0.

Section 7.14. Fiscal Year. No Restricted Person will change its fiscal year.

ARTICLE VIII - Events of Default and Remedies

Section 8.1. Events of Default. Each of the following events constitutes an Event of Default under this Agreement:

(a) Any Restricted Person fails to pay the principal component of any Obligation when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) Any Restricted Person fails to pay any Obligation (other than the Obligations in clause (a) above) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within three Business Days after the same becomes due;

(c) Any "default" or "event of default" occurs under any Loan Document which defines either such term, and the same is not remedied within the applicable period of grace (if any) provided in such Loan Document;

(d) Any Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII;

(e) Any Restricted Person fails (other than as referred to in subsections (a), (b), (c) or (d) above) to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document, and such failure remains unremedied for a period of thirty (30) days after notice of such failure is given by Agent to Borrower;

(f) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Restricted Person in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Loan Document at any time ceases to be valid, binding and enforceable as warranted in Section 5.5 for any reason other than its release or subordination by Agent;

(g) Any Restricted Person fails to duly observe, perform or comply with any agreement with any Person or any term or condition of any instrument, if such agreement or instrument is materially significant to Borrower or to Borrower and its subsidiaries on a Consolidated basis, and such failure is not remedied within the applicable period of grace (if any) provided in such agreement or instrument;

(h) Any Restricted Person (i) fails to pay any portion, when such portion is due, of any of its Indebtedness in excess of $1,000,000, or (ii) breaches or defaults in the performance of any agreement or instrument by which any such Indebtedness is issued, evidenced, governed, or secured, and any such failure, breach or default continues beyond any applicable period of grace provided therefor;

(i) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code of 1986, as amended) in excess of $100,000 exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, or (ii) any Termination Event occurs with respect to any ERISA Plan and the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than $100,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer, the withdrawing employer's proportionate share of such excess exceeds such amount); and

(j) Any Restricted Person:

(i) suffers the entry against it of a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it which remains undismissed for a period of thirty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the federal

Bankruptcy Code, as from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or fails generally to pay (or admits in writing its inability to pay) its debts as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) suffers the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets or of any part of the Collateral in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within thirty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) suffers the entry against it of a final judgment for the payment of money in excess of $500,000 (not covered by insurance satisfactory to Agent in its discretion), unless the same is discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(v) suffers a writ or warrant of attachment or any similar process to be issued by any Tribunal against all or any substantial

part of its assets or any part of the Collateral, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside; and

(k) The Environmental Claims against the Restricted Persons exceed an aggregate amount of $1,000,000;

(l) Any Change in Control occurs;

(m) Any Material Adverse Change occurs;

(n) Any Loan Document or any Lien created thereby shall be invalid, or any Person shall have asserted that such Loan Document or Lien is invalid; and

(o) An "Event of Default" occurs under the Acquisition Agreement.

Upon the occurrence of an Event of Default described in subsection (j)(i), (j)(ii) or (j)(iii) of this section with respect to Borrower, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender hereunder or to make any further Loans shall be permanently terminated. During the continuance of any other Event of Default, Agent at any time and from time to time may (and upon written instructions from Required Lenders, Agent shall), without notice to Borrower or any other Restricted Person, do

either or both of the following: (1) terminate any obligation of Lenders to make Loans hereunder, and (2) declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement.

Section 8.2. Remedies. If any Default shall occur and be continuing, each Lender Party may protect and enforce its rights under the Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document, and each Lender Party may enforce the payment of any Obligations due it or enforce any other legal or equitable right which it may have. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at Law or in equity.

ARTICLE IX - Agent

Section 9.1. Appointment and Authority. Each Lender Party hereby irrevocably authorizes Agent, and Agent hereby undertakes, to receive payments of principal, interest and other amounts due hereunder as specified herein and to take all other actions and to exercise such powers under the Loan Documents as are specifically delegated to Agent by the terms hereof or thereof, together with all other powers reasonably incidental thereto. The relationship of Agent to the other Lender Parties is only that of one commercial lender acting as administrative agent for others, and nothing in the Loan Documents shall be construed to constitute Agent a trustee or other fiduciary for any holder of any of the Notes or of any participation therein nor to impose on Agent duties and obligations other than those expressly provided for in the Loan Documents. With respect to any matters not expressly provided for in the Loan Documents and any matters which the Loan Documents place within the discretion of Agent, Agent shall not be required to exercise any discretion or take any action, and it may request instructions from Lenders with respect to any such matter, in which case it shall be required to act or to refrain from acting (and shall be fully protected and free from liability to all Lenders in so acting or refraining from acting) upon the instructions of Required Lenders (including itself), provided, however, that Agent shall not be required to take any action which exposes it to a risk of personal liability that it considers unreasonable or which is contrary to the Loan Documents or to applicable Law. Upon receipt by Agent from Borrower of any communication calling for action on the part of Lenders or upon notice from any other Lender Party to Agent of any Default or Event of Default, Agent shall promptly notify each other Lender Party thereof.

Section 9.2. Exculpation, Agent's Reliance, Etc. Neither Agent nor any of its directors, officers, agents, attorneys, or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with the Loan Documents, INCLUDING THEIR NEGLIGENCE OF ANY KIND, except that each

shall be liable for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Agent (a) may treat the payee of any Note as the holder thereof until Agent receives written notice of

the assignment or transfer thereof in accordance with this Agreement, signed by such payee and in form satisfactory to Agent; (b) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any other Lender Party and shall not be responsible to any other Lender Party for any statements, warranties or representations made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Restricted Person or to inspect the property (including the books and records) of any Restricted Person; (e) shall not be responsible to any other Lender Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any instrument or document furnished in connection therewith; (f) may rely upon the representations and warranties of each Restricted Person and the Lenders in exercising its powers hereunder; and (g) shall incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (including any telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper Person or Persons.

Section 9.3. Credit Decisions. Each Lender Party acknowledges that it has, independently and without reliance upon any other Lender Party, made its own analysis of Borrower and the transactions contemplated hereby and its own independent decision to enter into this Agreement and the other Loan Documents. Each Lender Party also acknowledges that it will, independently and without reliance upon any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

Section 9.4. Indemnification. Each Lender agrees to indemnify Agent (to the extent not reimbursed by Borrower within ten (10) days after demand) from and against such Lender's Percentage Share of any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against Agent growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement thereof) at any time associated therewith or contemplated therein (including any Environmental Claims or violation or noncompliance with any Environmental Laws by any Person or any liabilities or duties of any Person with respect to the presence or Release of Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY, OR ARE CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY AGENT,

provided only that no Lender shall be obligated under this section to indemnify Agent for that portion, if any, of any liabilities and costs which is proximately caused by Agent's own

individual gross negligence or willful misconduct, as determined in a final judgment. Cumulative of the foregoing, each Lender agrees to reimburse Agent promptly upon demand for such Lender's Percentage Share of any costs and expenses to be paid to Agent by Borrower under Section 10.4(a) to the extent that Agent is not timely reimbursed for such expenses by Borrower as provided in such section. As used in this section the term "Agent" shall refer not only to the Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Person.

Section 9.5. Rights as Lender. In its capacity as a Lender, Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Agent. Agent may accept deposits from, lend money to, act as Trustee under indentures of, and generally engage in any kind of business with any Restricted Person or their Affiliates, all as if it were not Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.6. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Security Documents or rights of banker's lien, set off, or counterclaim against Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to

it which, taking into account all distributions made by Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Agent and all Lenders share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than the Obligations. Borrower expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to Tribunal order to be paid on account of the possession of such funds prior to such recovery.

Section 9.7. Investments. Whenever Agent in good faith determines that it is uncertain about how to distribute to Lenders any funds which it has received, or whenever Agent in good faith determines that there is any dispute among Lenders about how such funds should be distributed, Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Agent is otherwise required to invest funds pending distribution to Lenders, Agent shall invest such funds pending distribution; all interest on any such investment shall be distributed upon the distribution of such investment and in the same proportion and to the same Persons as such investment. All moneys received by Agent for distribution to Lenders (other than to the Person who is Agent in its separate capacity as a Lender) shall be held by

Agent pending such distribution solely as Agent for such Lenders, and Agent shall have no equitable title to any portion thereof.

Section 9.8. Benefit of Article IX. The provisions of this Article (other than the following Section 9.9) are intended solely for the benefit of Lender Parties, and no Restricted Person shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender Party. Lender Parties may waive or amend such provisions as they desire without any notice to or consent of Borrower or any Restricted Person.

Section 9.9. Resignation. Agent may resign at any time by giving written notice thereof to Lenders and Borrower; provided that if Agent so resigns hereunder, it shall also resign as agent under the Acquisition Agreement. Each such notice shall set forth the date of such resignation. Required Lenders shall have the right to appoint a successor Agent; provided that they shall appoint the same Person as successor agent under the Acquisition Agreement. A successor must be appointed for any retiring Agent, and such Agent's resignation shall become effective when such successor accepts such appointment. If, within thirty days after the date of the retiring Agent's resignation, no successor Agent has been appointed and has accepted such appointment, then the retiring Agent may appoint a successor Agent, which shall be a financial institution organized under the Laws of the United States of America or of any state thereof. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under the Loan Documents.

Section 9.10. Lenders to Remain Pro Rata. It is the intent of all parties hereto that the pro rata share of each Lender in the Obligations and in the Acquisition Agreement Obligations shall be substantially the same at all times during the term of this Agreement. Accordingly, the initial Percentage Share of each Lender in the Commitment will be the same as the initial Percentage Share of such Lender in the Acquisition Commitment. All subsequent assignments and adjustments of the interests of the Lenders in the Obligations and the Acquisition Agreement Obligations will be made so as to maintain such a pro rata arrangement; provided that for the purposes of determining these pro rata shares, any Percentage Share held by any Lender's Affiliates shall be included in determining the interests of such Lender.

ARTICLE X - Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender Party in exercising any right, power or remedy which such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Loan Document and no consent to any departure therefrom shall ever be

effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Restricted Person shall in any case of itself entitle any Restricted Person to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Borrower, by Borrower, (ii) if such party is Agent, by such party, and (iii) if such party is a Lender, by such Lender or by Agent on behalf of Lenders with the written consent of Required Lenders (which consent has already been given as to the termination of the Loan Documents as provided in Section 10.9). Notwithstanding the foregoing or anything to the contrary herein, Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would: (1) waive any of the conditions specified in Article IV (provided that Agent may in its discretion withdraw any request it has made under Section 4.2(e)), (2) increase the Commitment of such Lender or subject such Lender to any additional obligations, (3) reduce any fees payable to such lender hereunder, or the principal of, or interest on, such Lender's Note, (4) postpone any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Required Lenders" or otherwise change the aggregate amount of Percentage Shares which is required for Agent, Lenders or any of them to take any particular action under the Loan Documents, (6) release Borrower from its obligation to pay such Lender's Note or (7) release all or substantially all of the Collateral.

(b) Acknowledgments and Admissions. Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party, (ii) it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Agent or any Lender, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender Party as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iv) no Lender Party has any fiduciary obligation toward Borrower with respect to any Loan Document or the transactions contemplated thereby, (v) the relationship pursuant to the Loan Documents between Borrower and the other Restricted Persons, on one hand, and each Lender Party, on the other hand, is and shall be solely that of debtor and creditor, respectively, (vi) no partnership or joint venture exists with respect to the Loan Documents between any Restricted Person and any Lender Party, (vii) Agent is not Borrower's Agent, but Agent for Lenders, (viii) should an Event of Default or Default occur or exist, each Lender Party will determine in its sole discretion and for its own reasons what remedies and actions it will or will not exercise or take at

that time, (ix) without limiting any of the foregoing, Borrower is not relying upon any representation or covenant by any Lender Party, or any representative thereof, and no such representation or covenant has been made, that any Lender Party will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Loan Documents with respect to any such Event of Default or Default or any other provision of the Loan Documents, and (x) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Representation by Lenders. Each Lender hereby represents that it will acquire its Note for its own account in the ordinary course of its

commercial lending business; however, the disposition of such Lender's property shall at all times be and remain within its control and, in particular and without limitation, such Lender may sell or otherwise transfer its Note, any participation interest or other interest in its Note, or any of its other rights and obligations under the Loan Documents.

(d) Joint Acknowledgment. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.2. Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements in the Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents and the performance hereof and thereof, including the making or granting of the Loans and the delivery of the Notes and the other Loan Documents, and shall further survive until all of the Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Borrower are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Restricted Person to any Lender Party under any Loan Document shall be deemed representations and warranties by Borrower or agreements and covenants of Borrower under this Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by telecopy or telex, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to Borrower and Restricted Persons at the address of Borrower specified on the signature pages hereto and to each Lender Party at its address specified in the Lenders Schedule as its lending offices for ABR Loans (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of telecopy or telex, upon receipt, or (c) in the case of registered or certified United States mail, three days after deposit in the mail; provided, however, that no Borrowing Notice shall become effective until actually received by Agent.

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Borrower will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all transfer, stamp, mortgage, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Loan Documents or any other document referred to herein or therein, (ii) all reasonable costs and expenses incurred by or on behalf of Agent (including attorneys' fees, consultants' fees and engineering fees, travel costs and miscellaneous expenses) in connection with (1) the negotiation, preparation, execution and delivery of the Loan Documents, and any and all consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, refiling and re-recording of any Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Loan Document, (3) the borrowings hereunder and other action reasonably required in the course of administration hereof, (4) monitoring or confirming (or preparation or negotiation of any document related to) Borrower's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (iii) all reasonable costs and expenses incurred by or on behalf of any Lender Party (including reasonable attorneys' fees, consultants' fees and accounting fees) in connection with the defense or enforcement of any of the Loan Documents (including this section) or the defense of any Lender Party's exercise of its rights thereunder. In

addition to the foregoing, until and all Obligations have been paid in full, Borrower will also pay or reimburse Agent for all reasonable out-of-pocket costs and expenses of Agent or its agents or employees in connection with the continuing administration of the Loans and the related due diligence of Agent, including travel and miscellaneous expenses and fees and expenses of Agent's outside counsel, reserve engineers and consultants engaged in connection with the Loan Documents.

(b) Indemnity. Borrower agrees to indemnify each Lender Party, upon demand, from and against any and all liabilities, obligations, claims, losses, damages,

penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Lender Party growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (including any Environmental Claims or violation or noncompliance with any Environmental Laws by any Restricted Person or any liabilities or duties of any Restricted Person or any Lender Party with respect to the presence or Release of Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY, OR ARE CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY,

provided only that no Lender Party shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any Person (including Borrower or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Lender Party, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Lender Parties" shall refer not only to the Persons designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Persons.

Section 10.5. Joint and Several Liability; Parties in Interest. All Obligations which are incurred by two or more Restricted Persons shall be their joint and several obligations and liabilities. All grants, covenants and agreements contained in the Loan Documents shall bind and inure to the benefit of the parties thereto and their respective successors and assigns; provided, however, that no Restricted Person may assign or transfer any of its rights or delegate any of its duties or obligations under any Loan Document without the prior consent of Required Lenders. Neither Borrower nor any Affiliates of Borrower shall directly or indirectly purchase or otherwise retire any Obligations owed to any Lender nor will any Lender accept any offer to do so, unless each Lender shall have received substantially the same offer with respect to the same Percentage Share of the Obligations owed to it. If Borrower or any Affiliate of Borrower at any time purchases some but less than all of the Obligations owed to all Lender Parties, such purchaser shall not be entitled to any rights of any Lender Party under the Loan Documents unless and until Borrower or its Affiliates have purchased all of the Obligations.

Section 10.6. Assignments.

(a) Any Lender may sell a participation interest in its commitment hereunder or any of its rights under its Loans or under the Loan Documents to any Person, provided

that the agreement between such Lender and such participant must at all times provide: (i) that such participation exists only as a result of the agreement between such participant and such Lender and that such transfer does not give such participant any right to vote as a Lender or any other direct claims or rights against any Person other than such Lender, (ii) that such participant is not entitled to payment from any Restricted Person under any of Sections 3.2, 3.3, 3.4, 3.5 or 3.6 of amounts in excess of those payable to such Lender under such sections (determined without regard to the sale of such participation), and (iii) unless such participant is an Affiliate of such Lender, that such participant shall not be entitled to require such Lender to take any action under any Loan Document or to obtain

the consent of such participant prior to taking any action under any Loan Document, except for actions which would require the consent of all Lenders under the next-to-last sentence of subsection (a) of Section 10.1. No Lender selling such a participation shall, as between the other parties hereto and such Lender, be relieved of any of its obligations hereunder as a result of the sale of such participation. Each Lender which sells any such participation to any Person (other than an Affiliate of such Lender) shall give prompt notice thereof to Agent and Borrower.

(b) Except for sales of participations under the immediately preceding subsection (a), no Lender shall make any assignment or transfer of any kind of its commitments or any of its rights under its Loans or under the Loan Documents, except for assignments to an Eligible Transferee, and then only if such assignment is made in accordance with the following requirements:

(i) Each such assignment shall apply to all Obligations owing to the assignor Lender hereunder and to the unused portion of the assignor Lender's commitments, so that after such assignment is made the assignor Lender shall have a fixed (and not a varying) Percentage Share in its Loans and Note and be committed to make that Percentage Share of all future Loans, the assignee shall have a fixed Percentage Share in such Loans and Note and be committed to make that Percentage Share of all future Loans, and the Percentage Share of the aggregate of the Commitment and the Acquisition Commitment of both the assignor and assignee shall equal or exceed $5,000,000.

(ii) The parties to each such assignment shall execute and deliver to Agent, for its acceptance and recording in the "Register" (as defined below in this section), an Assignment and Acceptance in the form of Exhibit E, appropriately completed, together with the Note subject to such assignment and a processing fee payable to Agent of $4,000. Upon such execution, delivery, and payment and upon the satisfaction of the conditions set out in such Assignment and Acceptance, then (i) Borrower shall issue new Notes to such assignor and assignee upon return of the old Notes to Borrower, and (ii) as of the "Settlement Date" specified in such Assignment and Acceptance the assignee thereunder shall be a party hereto and a Lender hereunder and Agent shall thereupon deliver to Borrower and each Lender a schedule showing the revised Percentage Shares of such assignor Lender and such assignee Lender and the Percentage Shares of all other Lenders.

(iii) Each assignee Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended) for Federal income tax purposes, shall (to the extent it has not already done so) provide Agent and Borrower with the "Prescribed Forms" referred to in Section 3.6(d).

(iv) Together with each such assignment of its rights and obligations under this Agreement, such Lender shall assign the same Percentage Share of its rights and obligations under the Acquisition Agreement to the same Eligible Transferee or an Affiliate of such Eligible Transferee.

(c) Nothing contained in this section shall prevent or prohibit any Lender from assigning or pledging all or any portion of its Loans and Note to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank or to one of its Affiliates; provided that no such assignment or pledge shall relieve such Lender from its obligations hereunder.

(d) By executing and delivering an Assignment and Acceptance, each assignee Lender thereunder will be confirming to and agreeing with Borrower, Agents and each other Lender hereunder that such assignee understands and agrees to the terms hereof, including Article IX hereof.

(e) Agent shall maintain a copy of each Assignment and Acceptance and a register for the recordation of the names and addresses of Lenders and the Percentage Shares of, and principal amount of the Loans owing to, each Lender from time to time (in this section called the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower and each Lender Party may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes. The Register shall be available for inspection by Borrower or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

Section 10.7. Confidentiality. Each Lender Party agrees that it will take all reasonable steps to keep confidential any proprietary information given to it by any Restricted Person, provided, however, that this restriction shall not apply to information which (i) has at the time in question entered the public domain, (ii) is required to be disclosed by Law (whether valid or invalid) of any Tribunal, (iii) is disclosed to any Lender Party's Affiliates, auditors,

attorneys, or agents, (iv) is furnished to any other Lender Party or to any purchaser or prospective purchaser of participations or other interests in any Loan or Loan Document (provided each such purchaser or prospective purchaser first agrees to hold such information in confidence on the terms provided in this section), or (v) is disclosed in the course of enforcing its rights and remedies during the existence of an Event of Default.

Section 10.8. Governing Law; Submission to Process. Except to the extent that the law of another jurisdiction is expressly elected in a Loan Document, the Loan Documents shall be deemed contracts and instruments made under the laws of the State of Texas and shall be construed and enforced in accordance with and governed by the laws of the State

of Texas and the laws of the United States of America, without regard to principles of conflicts of law. Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving tri-party accounts) does not apply to this Agreement or to the Notes. Borrower hereby irrevocably submits itself and each other Restricted Person to the non-exclusive jurisdiction of the state and federal courts sitting in the State of Texas and agrees and consents that service of process may be made upon it or any Restricted Person in any legal proceeding relating to the Loan Documents or the Obligations by any means allowed under Texas or federal law.

Section 10.9. Limitation on Interest. Lender Parties, Restricted Persons and any other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such Persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by applicable Law from time to time in effect. Neither any Restricted Person nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully charged under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Loan Documents which may be in conflict or apparent conflict herewith. Lender Parties expressly disavow any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of any Obligation is accelerated. If (a) the maturity of any Obligation is accelerated for any reason, (b) any Obligation is prepaid and as a result any amounts held to constitute interest are determined to be in excess of the legal maximum, or (c) any Lender or any other holder of any or all of the Obligations shall otherwise collect moneys which are determined to constitute interest which would otherwise increase the interest on any or all of the Obligations to an amount in excess of that permitted to be charged by applicable Law then in effect, then all sums determined to constitute interest in excess of such legal limit shall, without penalty, be promptly applied to reduce the then outstanding principal of the related Obligations or, at such Lender's or holder's option, promptly returned to US Borrower or the other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable Law, Lender Parties and Restricted Persons (and any other payors thereof) shall to the greatest extent permitted under applicable Law, characterize any non-principal payment as an expense, fee or premium rather than as interest, exclude voluntary prepayments and the effects thereof, and amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Obligations in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable Law in order to lawfully charge the maximum amount of interest permitted under applicable Law. In the event applicable Law provides for an interest ceiling under Chapter 303 of the Texas Finance Code (the "Texas Finance Code") as amended, for that day, the ceiling shall be the "weekly ceiling" as defined in the Texas Finance Code; provided that if any applicable Law permits greater interest, the Law permitting the greatest interest shall apply. As used in this section the term "applicable Law" means the Laws of the State of Texas or the Laws of the United States of America, whichever Laws allow the greater interest, as such Laws now exist or may be changed or amended or come into effect in the future.

Section 10.10. Termination: Limited Survival. In its sole and absolute discretion Borrower may at any time that no Obligations are owing elect in a written notice delivered to Agent to terminate this Agreement. Upon receipt by Agent of such a notice, if no Obligations are then owing this Agreement and all other Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Restricted Person in any Loan Document, any Obligations under any of Sections 3.2, 3.3, 3.4, 3.5 or 3.6, and any obligations which any Person may

have to indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Loan Document. At the request and expense of Borrower, Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the Loan Documents. Agent is hereby authorized to execute all such instruments on behalf of all Lenders, without the joinder of or further action by any Lender.

Section 10.11. Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.12. Counterparts. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement.

Section 10.13. Waiver of Jury Trial, Punitive Damages, etc. Borrower and each Lender Party hereby knowingly, voluntarily, intentionally, and irrevocably (a) waives, to the maximum extent not prohibited by Law, any right it may have to a trial by jury in respect of any litigation based hereon, or directly or indirectly at any time arising out of, under or in connection with the Loan Documents or any transaction contemplated thereby or associated therewith, before or after maturity; (b) waives, to the maximum extent not prohibited by Law, any right it may have to claim or recover in any such litigation any "Special Damages", as defined below, (c) certifies that no party hereto nor any representative or agent or counsel for any party hereto has represented, expressly or otherwise, or implied that such party would not, in the event of litigation, seek to enforce the foregoing waivers, and (d) acknowledges that it has been induced to enter into this Agreement, the other Loan Documents and the transactions contemplated hereby and thereby by, among other things, the mutual waivers and certifications contained in this section. As used in this section, "Special Damages" includes all special, consequential, exemplary, or punitive damages (regardless of how named), but does not include any payments or funds which any party hereto has expressly promised to pay or deliver to any other party hereto.

Section 10.14. Release of Collateral. Agent and Lenders hereby agree that Agent shall release from the Security Documents, upon written request by Borrower and at Borrower's expense, interests in oil and gas properties sold by any Restricted Person in compliance with Section 7.5(c), upon receipt of the prepayment of the Loans required in connection with such sale, if any. No further authorization from Lenders shall be required in connection with any such release.

Section 10.15. Restatement. This Agreement restates and amends the Existing Revolving Credit Agreement in its entirety, and all of the terms and provisions hereof shall supersede the terms and conditions thereof. Borrower hereby agrees that (i) the Loans outstanding under the Existing Revolving Credit Agreement and all accrued and unpaid interest thereon, and (ii) all accrued and unpaid fees under the Existing Revolving Credit Agreement shall be deemed to be outstanding under and payable by this Agreement; provided that changes in the Percentage Shares, interest rates, or fee rates shall not change the amounts accrued and owing to each Lender under the Existing Revolving Credit Agreement.

IN WITNESS WHEREOF, this Agreement is executed as of the date first written above.

BORROWER:

W&T OFFSHORE, INC.

By: /s/ W. Reid Lea

W. Reid Lea
Chief Financial Officer

Address: 3900 Causeway Boulevard
One Lakeway Center, Suite 1210
Metairie, LA 70002

Telephone: (504) 831-4171
Fax: (504) 831-4322

AGENT:

TORONTO DOMINION (TEXAS), INC., as Agent

and Lender

By: /s/ Jeno Mott

Jeno Mott
Vice President

Address: 909 Fannin, Suite 1700
Houston, Texas 77010
Attention: Energy Group

Telephone: (713) 653-8241
Fax: (713) 951-9921

LENDERS:

MEESPIERSON CAPITAL CORP.,
as Lender

By: /s/ Christopher S. Parada

Name: Christopher S. Parada
Title: Vice President

By: /s/ Darrell W. Holley

Name: Darrell W. Holley
Title: Managing Director

Address: 100 Crescent Court
Ste. 1777
Dallas, Texas 75201

Telephone: (214) 953-9303
Fax: (214)754-5981

NATEXIS BANQUE BFCE,
as Lender

By: /s/ Timothy L. Polvado

Name: Timothy L. Polvado
Title: Vice President and Group Manager

By: /s/ Donovan C. Broussard

Name: Donovan C. Broussard
Title: Vice President

Address: 333 Clay Street
Ste. 4340
Houston, Texas 77002

Telephone: (713) 759-9401
Fax: (713) 759-9908

BANK ONE, TEXAS, N.A.,
as Lender

By: /s/ Charles Kingswell-Smith

Name: Charles Kingswell-Smith
Title: First Vice President

Address: 910 Travis Street, 6th Floor
Houston, Texas 77002

Telephone: (713) 751-7803
Fax: (713) 751-3544

BANK OF SCOTLAND,

as Lender

By: /s/ Annie Glynn

Annie Glynn
Senior Vice President

Address: 1750 Two Allen Center
1200 Smith Street
Houston, Texas 77002-4312

Telephone: (713) 651-1870
Fax: (713) 651-9714

CHRISTIANIA BANK OG KREDITKASSE ASA,
NEW YORK BRANCH, as Lender

By: /s/ Carl illegible Svendsen /s/William J. Aber

Carl illegible Svendsen William J. Aber
Senior Vice President Senior Vice President

Address: 11 West 42nd Street, 7th Floor
New York, New York 10036

Telephone: (212) 827-4836
Fax: (212) 827-4888

EXHIBIT 10.2

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (herein called this "Amendment"), dated as of December 5, 2000, is entered into by and among W&T OFFSHORE, INC., a Nevada corporation, as the borrower (the "Borrower"), the various financial institutions parties hereto, as lenders (collectively, the "Lenders"), THE TORONTO-DOMINION BANK, as issuer of Letters of Credit (in such capacity together with any successors thereto, the "Issuer"), and TORONTO DOMINION (TEXAS), INC., individually and as agent (in such capacity together with any successors thereto, the "Agent") for the Lenders. Terms defined in the Credit Agreement (as hereinafter defined) are used herein with the same meanings as given them therein, unless the context otherwise requires.

W I T N E S S E T H

WHEREAS, the Borrower, the Lenders and the Agent have heretofore entered into a certain Amended and Restated Credit Agreement, dated as of February 24, 2000 (the "Credit Agreement"); and

WHEREAS, the Borrower, the Lenders, the Issuer, and the Agent now desire to amend the Credit Agreement to provide for, among other things, the issuance of letters of credit by the Issuer (as defined hereinafter), as hereinafter provided;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrower, the Lenders, the Issuer, and the Agent hereby agree as follows:

1. Amendment of Section 1.1. The definitions of "Available Distribution Amount", "Calculation Date", "Facility Usage", "Lender Parties", "Loan Documents", "Percentage Share", "Permitted Tax Distribution", and "Quarterly Distribution Amount" in Section 1.1 of the Credit Agreement are amended hereby in their entirety to read as follows:

> ""Available Distribution Amount" means on any date (the "Calculation Date") the amount equal to (i) the sum of all Quarterly Distribution Amounts calculated for the period from January 1, 1999, until the end of the most recent Fiscal Quarter ended on or prior to the Calculation Date minus (ii) the sum of all Quarterly Distribution Amounts distributed during such period."
>
> ""Calculation Date" is defined in the definition of the term "Available Distribution Amount"."
>
> ""Facility Usage" means, at the time in question, the aggregate outstanding principal amount of all Loans of all Lenders plus all Letter of Credit Outstandings of all Issuers."
>
> ""Lender Parties" or "Lender Party" means, as the context may require, Agent, any Lender or any Issuer, or any of their respective successors, transferees or assigns."
>
> ""Loan Documents"means this Agreement, the Acquisition Loan Documents, the Notes, all Letters of Credit, the Security Documents, any Hedge Contract between Borrower or its Subsidiaries and any then current Lender or an Affiliate of any then current Lender, and all other agreements, amendments, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets, commitment letters, correspondence and similar documents used in the negotiation hereof, except to the extent the same contain information about Borrower or its Affiliates, properties, business or prospects)."
>
> ""Percentage Share" means, with respect to any Lender (a) when used in Sections 2.1, 2.5, and 2.11(d), in any Borrowing Notice or when no Loans are outstanding hereunder, the percentage set forth opposite such Lender's name on the Lender Schedule attached hereto, and (b) when used otherwise, the percentage obtained by dividing (i) the sum of the unpaid principal balance of such Lender's Loans at the time in question plus the aggregate amount of such Lender's Letter of Credit Outstandings at such time, by (ii) the sum of the aggregate unpaid principal balance of all Loans at the time in question plus all Letter of Credit Outstandings at such time."
>
> ""Permitted Tax Distribution" means, with respect to any shareholder of Borrower, distributions by Borrower to such shareholder to pay taxes of such shareholder attributable to such shareholder's interest in Borrower."
>
> ""Quarterly Distribution Amount" means, for each Fiscal Quarter, W&T LLC's EBITDA minus W&T LLC's capital expenditures for such Fiscal Quarter. In addition to the foregoing, Borrower may declare and pay to any Persons dividends payable only in its common stock."

2. Amendment of Section 1.1. Section 1.1 of the Credit Agreement is hereby amended by inserting in the appropriate alphabetical order the following:

""Adjusted Net Income After Permitted Tax Distributions" means, on any date, the result of (i) Borrower's Consolidated Net Income minus (ii) the aggregate amount of Permitted Tax Distributions during such year minus (iii) the aggregate amount of any extraordinary gain on the sale of assets (determined in accordance with GAAP) during such year."

""Disbursement" means the amount disbursed by the Issuer on a Disbursement Date."

""Disbursement Date" is defined in Section 2.11(e)."

""Equity Investment" means relative to any Person, any ownership or similar interest held by such Person in any other Person consisting of any purchase or other acquisition of any capital stock, warrants, rights, options, obligations or other securities of such Person, limited partnership interests,

membership interest in a limited liability company, or beneficial interests in a trust."

""Issuance Request"means a request and certificate duly executed by the chief executive, accounting or financial authorized officer of the Borrower, substantially in the form of Exhibit I attached hereto (with such changes thereto as may be agreed upon from time to time by the Agent and the Borrower)."

""Issuer" means The Toronto-Dominion Bank or any other Lender which has agreed to issue one or more Letters of Credit at the request of the Agent (which shall, at the Borrower's request, notify the Borrower from time to time of the identity of such other Lender)."

""Letter of Credit" is defined in Section 2.11(a)."

""Letter of Credit Commitment" means, relative to any Lender, such Lender's obligation to issue (in the case of an Issuer) or participate in (in the case of all Lenders) Letters of Credit pursuant to Section 2.11."

""Letter of Credit Fee" is defined in Section 2.5(c).

""Letter of Credit Outstandings" means, at any time, an amount equal to the sum of (a) the aggregate Stated Amount at such time of all Letters of Credit then outstanding and undrawn (as such aggregate Stated Amount shall be adjusted, from time to time, as a result of drawings, the issuance of Letters of Credit, or otherwise), plus (b) the then aggregate amount of all unpaid and outstanding Reimbursement Obligations."

""Reimbursement Obligations" is defined in Section 2.11(f)."

""Stated Amount" of each Letter of Credit means the face amount of such Letter of Credit or the "Stated Amount" of such Letter of Credit (as defined therein), in each case, as such amount is in effect on the issuance date thereof."

""Stated Expiry Date" is defined in Section 2.11(a)."

3. Amendment of Section 1.1. Clause (a) of the definition of "Commitment Fee Rate" in Section 1.1 of the Credit Agreement is hereby amended in its entirety to read as follows:

"(a) one-fourth of one percent (0.25%) per annum when the Facility Usage on such day is less than fifty percent (50%) of the Borrowing Base on such day,"

4. Amendment of Section 1.5. Section 1.5 of the Credit Agreement is hereby amended by replacing all occurrences of the phrase "Sections 3.2, 3.3, 3.4, 3.5 or 3.6" with the phrase "Sections 2.11, 3.2, 3.3, 3.4, 3.5 or 3.6".

5. Amendment of Section 2.1. Section 2.1 of the Credit Agreement is hereby amended in its entirety to read as follows:

"Section 2.1. Commitments to Make Loans; Notes; Participate in Letters of Credit. Subject to the terms and conditions hereof, each Lender severally agrees to make loans to Borrower (herein called such Lender's "Loans") upon Borrower's request from time to time during the Commitment Period, provided that subject to Sections 3.3, 3.4 and 3.6, all Lenders are requested to make Loans of the same Type (or participate in Letters of Credit) in accordance with their respective Percentage Shares and as part of the same Borrowing. No Lender shall be permitted or required to (a) make any Loan if, after giving effect thereto (i) the Facility Usage would

exceed the Borrowing Base determined as of the date on which the requested Loans are to be made or the Commitment, (ii) the Loan by such Lender would exceed such Lender's Percentage Share of the aggregate amount of Loans then requested from all Lenders, or (iii) the sum of the aggregate outstanding principal amount of all Loans of such Lender together with such Lender's Percentage Share of Letter of Credit Outstandings would exceed such Lender's Percentage Share of the Borrowing Base then outstanding or the Commitment; or (b) issue (in the case of an Issuer) or participate in (in the case of a Lender) any Letter of Credit if, after giving effect thereto (i) the Facility Usage would exceed the Borrowing Base determined as of the date on which the requested Letter of Credit is to be issued or the Commitment; (ii) such Lender's Percentage Share of all Letter of Credit Outstandings together with the aggregate outstanding principal amount of all Loans of such Lender would exceed such Lender's Percentage Share of the Borrowing Base then outstanding or the Commitment; or (iii) all letter of Credit Outstandings would exceed $5,000,000. The aggregate amount of all Loans in any Borrowing of ABR Loans must be greater than or equal to $500,000 (any higher, in multiples of $100,000) or must equal the remaining availability under the Borrowing Base. The aggregate amount of all Loans in any Borrowing of Eurodollar Loans must be greater than or equal to $500,000 (any higher, in multiples of $100,000) or must equal the remaining availability under the Borrowing Base. Borrower may have no more than five (5) Borrowings of Eurodollar Loans outstanding at any time. The obligation of Borrower to repay to each Lender the aggregate amount of all Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Note") made by Borrower payable to the order of such Lender in the form of Exhibit A with appropriate insertions. The amount of principal owing on any Lender's Note at any given time shall be the aggregate amount of all Loans theretofore made by such Lender plus such Lender's Percentage Share of the Letter of Credit Outstandings minus all payments of principal theretofore received by such Lender on such Note. Interest on each Note shall accrue and be due and payable as provided herein and therein, with Eurodollar Loans bearing interest at the Eurodollar Rate and ABR Loans bearing interest at the Alternate Base Rate (subject to the applicability of the Default Rate and limited by the provisions of Section 10.9). Subject to the terms and conditions hereof, Borrower may borrow, repay, and reborrow hereunder.

6. Amendment of Section 2.5. Section 2.5 of the Credit Agreement is hereby amended by inserting the following clauses (c) and (d) after clause (b) thereof:

"(c) Letter of Credit Stated Amount Fee. The Borrower agrees to pay to the Agent, for the account of each Lender, a participation fee with respect to its participations in Letters of Credit, for the period from and including the date of the issuance of such Letter of Credit to (but not including) the date upon which such Letter of Credit expires, at a rate per annum equal to Eurodollar Margin on the Stated Amount of such Letter of Credit, based on a year comprised of three-hundred and sixty (360) days (such participation fee, "Letter of Credit Fee"). A prorated portion of such fee shall be payable by the Borrower in arrears on each ABR Payment Date, and at the end of the Commitment Period for any period then ending for which such fee shall not theretofore have been paid, commencing on the first such date after the issuance of such Letter of Credit."

"(d) Letter of Credit Issuance Fee. The Borrower agrees to pay to each Issuer for its own account an issuance fee for each Letter of Credit issued by such Issuer equal to 0.0625% of the Stated Amount of such Letter of Credit. Such fee shall be payable by the Borrower on the date of issuance of such Letter of Credit. The Borrower also agrees to pay such Issuer's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder, which fees shall be payable to such Issuer within ten (10) days after demand."

7. Amendment of Section 2.7. (i) Clause (a) of Section 2.7 of the Credit Agreement is hereby amended in its entirety to read as follows:

"(a) If at any time the Facility Usage exceeds the Commitment (whether due to a reduction in the Commitment in accordance with this Agreement, or otherwise), Borrower shall immediately upon demand prepay the principal of the Loans (and, upon repayment of all Loans, shall provide cash collateral as set forth in Section 2.11(g)) in an amount at least equal to such excess."

(ii) Sub-clause (i) of clause (b) of Section 2.7 of the Credit Agreement is hereby amended in its entirety to read as follows:

"(i) prepay the principal of the Loans (and, upon repayment in full of all Loans, shall provide cash collateral to Issuer as set forth in Section 2.11(g)) in an aggregate amount at least equal to such Borrowing Base Deficiency, or"

(iii) Sub-clause (ii) of clause (b) of Section 2.7 of the Credit Agreement is hereby amended in its entirety to read as follows:

"(ii) give notice to Agent electing to prepay the principal of the Loans (and, upon repayment of all Loans, shall provide cash collateral as set forth in Section 2.11(g)) in up to three monthly installments in an aggregate amount at least equal to such Borrowing Base Deficiency, with each such installment equal

to or in excess of one-third of such Borrowing Base Deficiency, and with the first such installment to be paid one month after the giving of such notice and the subsequent installments to be due and payable at one month intervals thereafter until such Borrowing Base Deficiency has been eliminated, or"

8. Amendment of Article II. Article II of the Credit Agreement is hereby amended by inserting the following Section 2.11 after Section 2.10 thereof:

"Section 2.11. Letters of Credit. From time to time on any Business Day prior to the end of the Commitment Period, each Issuer will issue, and each Lender will participate in, to the extent of each Lender's Percentage Share, the Letters of Credit, in accordance with the following terms:

(a) Issuance Requests. By delivering to the Agent and the applicable Issuer an Issuance Request on or before 11:00 a.m., Central time, the Borrower may request, from time to time during the Commitment Period and on not less than three (3) nor more than ten (10) Business Days' notice, that such Issuer issue an irrevocable standby letter of credit in such form as may be mutually agreed to by the Borrower and such Issuer (each a "Letter of Credit"), in support of financial obligations of the Borrower incurred in the Borrower's ordinary course of business and which are described in such Issuance Request. Upon receipt of an Issuance Request, the Agent shall promptly notify the Lenders thereof. Each Letter of Credit shall by its terms: (i) be issued in a Stated Amount which (1) together with all Letter of Credit Outstandings and all outstanding Loans does not exceed (or would not exceed) the then Commitment or Borrowing Base or (2) together with all Letter of Credit Outstandings would not exceed $5,000,000; (ii) be stated to expire on a date (its "Stated Expiry Date") no later than the earlier (1) of one year from its date of issuance and (2) the end of the Commitment Period. So long as no Default has occurred and is continuing, by delivery to the applicable Issuer and the Agent of an Issuance Request at least three (3) but not more than ten (10) Business Days prior to the Stated Expiry Date of any Letter of Credit, the Borrower may request such Issuer to extend the Stated Expiry Date of such Letter of Credit for an additional period not to exceed the earlier of (i) one year from its date of extension or (ii) the end of the Commitment Period.

No Issuer is under any obligation to issue any Letter of Credit if: (i) any order, judgment or decree of any government agency or arbitrator shall by its terms purport to enjoin or restrain such Issuer from issuing such Letter of Credit, or any requirement of applicable Law or any request or directive (whether or not having the force of law) from any government agency with jurisdiction over such Issuer shall prohibit, or request that the Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuer is not otherwise compensated hereunder) not in effect on the date hereof, or shall impose upon such Issuer any unreimbursed loss, cost or expense which was not applicable on the date hereof and which such Issuer in good faith deems material to it; (ii) one

or more of the applicable conditions contained in Article IV is not then satisfied; (iii) the expiry date of any requested Letter of Credit is prior to the maturity date of any financial obligation to be supported by the requested Letter of Credit; (iv) any requested Letter of Credit does not provide for drafts, or is not otherwise in form and substance acceptable to such Issuer, or the issuance of a Letter of Credit shall violate any applicable policies of such Issuer; (v) any standby Letter of Credit is for the purpose of supporting the issuance of any letter of credit by any other Person; or (vi) such Letter of Credit is in a face amount denominated in a currency other than Dollars. The Uniform Customs and Practice for Documentary Credits most recently published by the International Chamber of Commerce at the time of issuance of any Letter of Credit shall (unless otherwise expressly provided in the Letter of Credit) apply to all Letters of Credit.

(b) Issuances and Extensions. On the terms and subject to the conditions of this Agreement (including Article IV), the applicable Issuer shall issue Letters of Credit, and extend the Stated Expiry Dates of outstanding Letters of Credit, in accordance with the Issuance Requests made therefor. Each Issuer will make available the original of each Letter of Credit which it issues in accordance with the Issuance Request therefor to the beneficiary thereof (and will promptly provide each of the Lenders and the Borrower with a copy of such Letter of Credit) and will notify the beneficiary under any Letter of Credit of any extension of the Stated

Expiry Date thereof.

(c) [Intentionally Omitted]

(d) Other Lenders' Participation. Each Letter of Credit issued pursuant to Section 2.11(b) shall, effective upon its issuance and without further action, be issued on behalf of all Lenders (including the Issuer thereof) pro rata according to their respective Percentage Shares. Each Lender shall, to the extent of its Percentage Share, be deemed irrevocably to have participated in the issuance of such Letter of Credit and shall be responsible to reimburse promptly the Issuer thereof for Reimbursement Obligations which have not been reimbursed by the Borrower in accordance with Section 2.11(e), or which have been reimbursed by the Borrower but must be returned, restored or disgorged by such Issuer for any reason, and each Lender shall, to the extent of its Percentage Share, be entitled to receive from the Agent a ratable portion of the Letter of Credit Fee received by the Agent pursuant to Section 2.5(c), with respect to each Letter of Credit. In the event that the Borrower shall fail to reimburse any Issuer, or if for any reason Loans shall not be made to fund any Reimbursement Obligation, all as provided in Section 2.11(e) and in an amount equal to the amount of any drawing honored by such Issuer under a Letter of Credit issued by it, or in the event such Issuer must for any reason return or disgorge such reimbursement, such Issuer shall promptly notify each Lender of the unreimbursed amount of such drawing and of such Lender's respective participation therein. Each Lender shall make available to such Issuer, whether or not any Default shall have occurred and be continuing, an amount equal to its respective participation in same day or immediately available funds at the office

of such Issuer specified in such notice not later than 11:00 a.m., Central time, on the Business Day (under the laws of the jurisdiction of such Issuer) after the date notified by such Issuer. In the event that any Lender fails to make available to such Issuer the amount of such Lender's participation in such Letter of Credit as provided herein, such Issuer shall be entitled to recover such amount on demand from such Lender together with interest at the daily average Federal Funds Rate for three (3) Business Days (together with such other compensatory amounts as may be required to be paid by such Lender to the Agent pursuant to the Rules for Interbank Compensation of the council on International Banking or the Clearinghouse Compensation Committee, as the case may be, as in effect from time to time) and thereafter at the interest rate applicable to ABR Loans plus two percent (2%). Nothing in this Section shall be deemed to prejudice the right of any Lender to recover from any Issuer any amounts made available by such Lender to such Issuer pursuant to this Section in the event that it is determined by a court of competent jurisdiction that the payment with respect to a Letter of Credit by such Issuer in respect of which payment was made by such Lender constituted gross negligence or wilful misconduct on the part of such Issuer. Each Issuer shall distribute to each other Lender which has paid all amounts payable by it under this Section with respect to any Letter of Credit issued by such Issuer such other Lender's Percentage Share of all payments received by such Issuer from the Borrower in reimbursement of drawings honored by such Issuer under such Letter of Credit when such payments are received.

(e) Disbursements. Each Issuer will notify the Borrower and the Agent promptly of the presentment for payment of any Letter of Credit, together with notice of the date (the "Disbursement Date") such payment shall be made. Subject to the terms and provisions of such Letter of Credit, the applicable Issuer shall make such payment to the beneficiary (or its designee) of such Letter of Credit. Prior to 11:00 a.m., Central time, on the Disbursement Date, the Borrower will reimburse the applicable Issuer for all amounts which it has disbursed under or in respect of such Letter of Credit. In the event the applicable Issuer is not reimbursed by the Borrower on the Disbursement Date, or if such Issuer must for any reason return or disgorge such reimbursement, the Lenders (including such Issuer) shall, on the terms and subject to the conditions of this Agreement, fund the Reimbursement Obligation therefor by making, on the next Business Day, Loans which are ABR Loans as provided in Section 2.1 (the Borrower being deemed to have given a timely Borrowing Notice therefor for such amount); provided, however, for the purpose of determining the availability of the Commitments to make Loans immediately prior to giving effect to the application of the proceeds of such Loans, such Reimbursement Obligation shall be deemed not to be outstanding at such time. To the extent the applicable Issuer is not reimbursed in full in accordance with the preceding sentences, the Borrower's Reimbursement Obligation shall accrue interest at a fluctuating rate determined by reference to the interest rate applicable to ABR Loans, plus a margin of two percent (2%) per annum, payable on demand.

(f) Reimbursement. The Borrower's obligation (a "Reimbursement Obligation") under Section 2.11(e) to reimburse an Issuer with respect to each Disbursement (including interest thereon), and each Lender's obligation to make participation payments in each drawing which has not

been reimbursed by the Borrower, shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim, or defense to payment which the Borrower may have or have had against any Lender or any beneficiary of a Letter of Credit, including any defense based upon the occurrence of any Default, any draft, demand or certificate or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient, the failure of any disbursement to conform to the terms of the applicable Letter of Credit (if, in the applicable Issuer's good faith opinion, such disbursement is determined to be appropriate) or any non-application or misapplication by the beneficiary of the proceeds of such disbursement, or the legality, validity, form, regularity, or enforceability of such Letter of Credit; provided, however, that nothing herein shall adversely affect the right of the Borrower or any Lender to commence any proceeding against the applicable Issuer for any wrongful disbursement made by such Issuer under a Letter of Credit as a result of acts or omissions constituting gross negligence or wilful misconduct on the part of such Issuer.

(g) Deemed Disbursements. Upon either (i) the occurrence and during the continuation of an Event of Default pursuant to Section 8.1(j) or the occurrence of the end of the Commitment Period or (ii) the declaration by the Agent of all or any portion of the outstanding principal amount of the Loans and other Obligations to be due and payable and/or the commitments (if not theretofore terminated) to be terminated as provided in Section 8.1, an amount equal to that portion of Letter of Credit Outstandings attributable to outstanding and undrawn Letters of Credit shall, at the election of the applicable Issuer acting on instructions from the Required Lenders, and without demand upon or notice to the Borrower, be deemed to have been paid or disbursed by such Issuer under such Letters of Credit (notwithstanding that such amount may not in fact have been so paid or disbursed), and, upon notification by such Issuer to the Agent and the Borrower of its obligations under this Section, the Borrower shall be immediately obligated to reimburse such Issuer the amount deemed to have been so paid or disbursed by such Issuer. Any amounts so received by such Issuer from the Borrower pursuant to this Section shall be held as collateral security for the repayment of the Borrower's obligations in connection with the Letters of Credit issued by such Issuer. All amounts on deposit pursuant to this Section 2.11(g) shall, until their application to any Obligation or their return to the Borrower, as the case may be, at the Borrower's written request, be invested in high grade short term liquid investments as such Issuer may choose in its sole discretion reasonably exercised, which interest shall be held by the applicable Issuer as additional collateral security for the repayment of the Borrower's Obligations under and in connection with the Letters of Credit and all other Obligations. Any losses, net of earnings, and reasonable fees and expenses of such investments shall be charged against the principal amount invested. No Lender Party shall be liable for any loss resulting from any investment made by

such Issuer at the Borrower's request. Such Issuer is not obligated hereby, or by any other Loan Document, to make or maintain any investment, except upon written request by the Borrower. At any time when such Letters of Credit shall terminate and all Obligations to each Issuer are either terminated or paid or reimbursed to such Issuer in full, the Obligations of the Borrower under this Section shall be reduced accordingly (subject, however, to reinstatement in the event any payment in respect of such Letters of Credit is recovered in any manner from such Issuer), and such Issuer will return to the Borrower the excess, if any, of (A) the aggregate amount held by such Issuer and not theretofore applied by such Issuer to any Reimbursement Obligation over (B) the aggregate amount of all Reimbursement Obligations to such Issuer pursuant to this Section, as so adjusted. At such time when all Events of Default shall have been cured or waived, if the end of the Commitment Period shall not have occurred for any reason, each Issuer shall return to the Borrower all amounts then on deposit with such Issuer pursuant to this Section. Borrower hereby assigns and grants to such Issuer a continuing security interest in all such collateral security paid by it to such Issuer, all investments purchased with such collateral security, and all proceeds thereof to secure its Obligations under this Agreement, the Notes, and the other Loan Documents, and Borrower agrees that collateral security and investments shall be subject to all of the terms and conditions of the Security Documents. Borrower further agrees that such Issuer shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Texas with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

(h) Nature of Reimbursement Obligations. The Borrower shall assume all risks of the acts, omissions, or misuse of any Letter of Credit by the beneficiary thereof. Neither any Issuer nor any Lender (except to the extent of its own gross negligence or wilful misconduct) shall be responsible for: (i) the form, validity, sufficiency, accuracy, genuineness, or legal effect of any Letter of Credit or any document submitted by any party in connection with the application for and issuance

of a Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent, or forged; (ii) the form, validity, sufficiency, accuracy, genuineness, or legal effect of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) failure of the beneficiary to comply fully with conditions required in order to demand payment under a Letter of Credit; (iv) errors, omissions, interruptions, or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, facsimile or otherwise; (v) any loss or delay in the transmission or otherwise of any document or draft required in order to make a Disbursement under a Letter of Credit or of the proceeds thereof; (vi) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Borrower in respect of any Letter of Credit; (vii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or

any transferee of any Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuer (if other than the Lender or its Affiliates) or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the Letter of Credit or any unrelated transaction; (viii) any payment by an Issuer under any Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of any Letter of Credit; or any payment made by an Issuer under any Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of any Letter of Credit, including any arising in connection with any insolvency proceeding; or (ix) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor. None of the foregoing shall affect, impair, or prevent the vesting of any of the rights or powers granted any Issuer or any Lender hereunder. In furtherance and extension, and not in limitation or derogation, of any of the foregoing, any action taken or omitted to be taken by any Issuer in good faith shall be binding upon the Borrower and shall not put such Issuer under any resulting liability to the Borrower.

(i) Increased Costs; Indemnity. If by reason of (i) any change in applicable law, regulation, rule, decree or regulatory requirement or any change in the interpretation or application by any judicial or regulatory authority of any law, regulation, rule, decree or regulatory requirement, or (ii) compliance by any Issuer or any Lender with any direction, or requirement of any governmental or monetary authority, including, without limitation, Regulation D: (1) any Issuer or any Lender shall be subject to any tax (other than taxes on net income and franchises), levy, charge or withholding of any nature or to any variation thereof or to any penalty with respect to the maintenance or fulfillment of its obligations under this Section 2.11, whether directly or by such being imposed on or suffered by such Issuer or such Lender; (2) any reserve, deposit or similar requirement is or shall be applicable, increased, imposed or modified in respect of any Letters of Credit issued by any Issuer or participations therein purchased by any Lender; or (3) there shall be imposed on any Issuer or any Lender any other condition regarding this Section 2.11, any Letter of Credit or any participation therein, and the result of the foregoing is directly to increase the cost to such Issuer or such Lender of issuing or maintaining any Letter of Credit or of purchasing or maintaining any participation therein, or to reduce any amount receivable in respect thereof by such Issuer or such Lender, then and in any such case such Issuer or such Lender may, at any time after the additional cost is incurred or the amount received is reduced, notify the Agent and the Borrower thereof, and the Borrower shall pay within ten (10) days of demand such amounts as such Issuer or Lender may in good faith specify to be necessary to compensate such Issuer or Lender for such additional cost or reduced receipt, together with interest on such amount from the date demanded until payment in full thereof at a rate equal at all times to the Alternate Base Rate per annum. The determination by such Issuer or

Lender, as the case may be, of any amount due pursuant to this Section, as set forth in a statement setting forth the calculation thereof in reasonable detail, shall be rebuttable presumptive evidence of such amounts.

In addition to amounts payable as elsewhere provided in this Section 2.11, the Borrower hereby indemnifies, exonerates and holds each Issuer, the Agent and each Lender harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and expenses incurred in connection therewith (irrespective of whether such Issuer, the Agent or such Lender is a party to the action for which indemnification is sought), including reasonable attorneys' fees and disbursements, which such Issuer, the Agent or such Lender may incur or be

subject to as a consequence, direct or indirect, of the issuance of the Letters of Credit, other than as a result of the gross negligence or wilful misconduct of such Issuer as determined by a court of competent jurisdiction, or the failure of such Issuer to honor a drawing under any Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority."

9. Amendment of Section 3.4 Section 3.4 of the Credit Agreement is hereby amended in its entirety to read as follows:

"Section 3.4 Availability. If (a) any change in applicable Laws, or in the interpretation or administration thereof of or in any jurisdiction whatsoever, domestic or foreign, shall make it unlawful or impracticable for any Lender Party to fund or maintain Eurodollar Loans (or to participate in, issue or maintain any Letter of Credit), or shall materially restrict the authority of any Lender Party to purchase or take offshore deposits of dollars (i.e., "eurodollars"), or (b) any Lender Party determines that matching deposits appropriate to fund or maintain any Eurodollar Loan (or to participate in, issue or maintain any Letter of Credit) are not available to it, or (c) any Lender Party determines that the formula for calculating the Adjusted Eurodollar Rate does not fairly reflect the cost to such Lender Party of making or maintaining Loans (or of participating in, issuing or maintaining any Letter of Credit) based on such rate, then, upon notice by such Lender Party to Borrower and Agent, Borrower's right to elect Eurodollar Loans from such Lender Party shall be suspended to the extent and for the duration of such illegality, impracticability or restriction and all Eurodollar Loans (or participations in, issuances of or maintenance of any Letter of Credit) of such Lender Party which are then outstanding or are then the subject of any Borrowing Notice (or Issuance Request) and which cannot lawfully or practicably be maintained or funded shall immediately become or remain, or shall be funded as, ABR Loans of such Lender Party. Borrower agrees to indemnify each Lender Party and hold it harmless against all costs, expenses, claims, penalties, liabilities and damages which may result from any such change in Law, interpretation or administration. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity."

10. Amendment of Section 3.6 The first sentence of clause (b) of Section 3.6 of the Credit Agreement is hereby amended in its entirety to read as follows:

"All payments on account of the principal of, and interest on, each Lender Party's Loans and Note and all payments in respect of any Reimbursement Obligation, and all other amounts payable by Borrower to any Lender Party hereunder, shall be made in full without set-off or counterclaim and shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Borrower."

11. Amendment of Section 4.3. (i) The first sentence of Section 4.3 of the Credit Agreement is hereby amended in its entirety to read as follows:

"Section 4.3. Additional Conditions Precedent to All Loans and Letters of Credit. No Lender has any obligation to make any Loan (including its first) and no Issuer has any obligation to issue any Letter of Credit (including its first), unless the following conditions precedent have been satisfied:"

(ii) Clauses(a), (b) and (d) of Section 4.3 of the Credit Agreement is hereby amended by replacing all occurrences of the phrase "such Loan" with the phrase "such Loan or the date of issuance of such Letter of Credit".

(iii) Clause(e) of Section 4.3 of the Credit Agreement is hereby amended in its entirety to read as follows:

"(e) The making of such Loan or the issuance of such Letter of Credit shall not be prohibited by any Law and shall not subject any Lender or any Issue to any penalty or other onerous condition under or pursuant to any such Law."

12. Amendment of Section 7.6. Section 7.6 of the Credit Agreement is hereby amended in its entirety to read as follows:

"Section 7.6 Limitation on Distributions; Redemptions and Prepayments of Indebtedness. No Restricted Person will make any Distribution, except as expressly provided in this section, and no Restricted Person will redeem, purchase, prepay or defease any Indebtedness, other than the Obligations, prior to the original maturity thereof. Distributions may be made:

(i) by Borrower to any of its shareholders on any date in an amount not to exceed the Available Distribution Amount, or

(ii) by Borrower to its shareholders, provided such distribution is a Permitted Tax Distribution, or

(iii) by Borrower to its shareholders, provided that (a) the amount of all distributions pursuant to this Section 7.6(iii) during such year and any Equity Investments during such year do not, in the aggregate, exceed $10,000,000 per year, (b) such distribution occurs within thirty (30) days of the receipt by Agent of

updated monthly financial reports in form and substance satisfactory to Agent, in its sole discretion, accompanied by a certificate of an authorized officer of the Borrower certifying to the truth, correctness and completeness of such reports, (c) the ratio of (X) EBITDA to (Y) Consolidated Interest of Borrower for the Four Quarter Period then ended shall not be less than 8.0 to 1.0, (d) after giving effect to such distribution, the Facility Usage on such date is less than seventy-five percent (75%) of the Borrowing Base on such date, and (e) the amount of all distributions pursuant to this Section 7.6(iii) during such year and any Equity Investments during such year do not, in the aggregate, exceed fifty percent (50%) of Adjusted Net Income After Permitted Tax Distributions; or

(iv) by Subsidiaries of Borrower without limitation to Borrower;

provided, that the computation of the amount of any such distribution described in clauses (i), (ii), (iii) and (iv) above shall have been proven by Borrower to the reasonable satisfaction of Agent, and, provided further that no such distribution described in clauses (i), (ii), (iii) and (iv) above shall be permitted if (a) an Event of Default has occurred and is continuing, (b) an Event of Default would occur as a result of such distribution, or (c) a Borrowing Base Deficiency exists."

13. Amendment of Section 7.7. Section 7.7 of the Credit Agreement is hereby amended by inserting the following directly after the last sentence of Section 7.7:

"Notwithstanding the foregoing, Borrower may make an Equity Investment in any Person, provided that (a) the amount of all Equity Investments during such year and distributions pursuant to Section 7.6(iii) during such year do not, in the aggregate, exceed $10,000,000 per year, (b) such Equity Investment occurs within thirty (30) days of the receipt by Agent of updated monthly financial reports in form and substance satisfactory to Agent, in its sole discretion, accompanied by a certificate of an authorized officer of the Borrower certifying to the truth, correctness and completeness of such reports, (c) the ratio of (X) EBITDA to (Y) Consolidated Interest of Borrower for the Four Quarter Period then ended shall not be less than 8.0 to 1.0, (d) after giving effect to such Equity Investment, the Facility Usage on such date is less than seventy-five percent (75%) of the Borrowing Base on such date, and (e) the amount of all Equity Investments during such year and distributions pursuant to Section 7.6(iii) during such year do not, in the aggregate, exceed fifty percent (50%) of Adjusted Net Income After Permitted Tax Distributions;

provided, that the computation of the amount of any such Equity Investment described above shall have been proven by Borrower to the reasonable satisfaction of Agent, and, provided further that no such Equity Investment described above shall be permitted if (a) an Event of Default has occurred and is continuing, (b) an Event of Default would occur as a result of such Equity Investment, or (c) a Borrowing Base Deficiency exists."

14. Amendment of Section 8.1. (i) The second sentence of the last paragraph of Section 8.1 of the Credit Agreement is hereby amended in its entirety to the following:

"Upon any such acceleration, any obligation of any Lender to make any further Loans hereunder and any obligation of any Issuer to issue Letters of Credit hereunder shall be permanently terminated."

(ii) Clause(1) of the last paragraph of Section 4.3 of the Credit Agreement is hereby amended in its entirety to the following:

"(1) terminate any obligation of Lender to make Loans hereunder and any obligation of any Issuer to issue Letters of Credit hereunder, and"

15. Amendment of Section 10.1. Clause (a) of Section 10.1 of the Credit Agreement is hereby amended by deleting the word "and" between sub-clause (ii) and sub-clause (iii) and inserting after the phrase "in Section 10.9)" and before the "."the following:

"and (iv) if such party is Issuer, by Issuer"

16. Amendment of Section 10.6. Sub-clause (i) of clause (b) of Section 10.6 of the Credit Agreement is hereby amended in its entirety to read as follows:

"(i) Each such assignment shall apply to all Obligations owing to the assignor Lender hereunder and to the unused portion of the assignor Lender's commitments, so that after such assignment is made the assignor Lender shall have a fixed (and not a varying) Percentage Share in its Loans, Letter of Credit Outstandings and Note and be committed to make that Percentage Share of all future Loans and participations in Letters of Credit, the assignee shall have a fixed Percentage Share in such Loans, Letter of Credit Outstandings and Note and be committed to make that Percentage Share of all future Loans and participations in Letters of Credit, and the Percentage Share of the aggregate of the Commitment and the Acquisition Commitment of both the assignor and assignee shall equal or exceed $5,000,000."

17. Amendment of Section 10.14. Section 10.14 of the Credit Agreement is hereby amended in its entirety to read as follows:

"Section 10.14. Release of Collateral. Agent and each Lender Party hereby agree that so long as no Event of Default shall have occurred and be continuing Agent shall release from the Security Documents, upon written request by Borrower and at Borrower's expense, interests in oil and gas properties sold by any Restricted Person in compliance with Section 7.5(c), upon receipt of the indefeasible prepayment of the Loans and Letter of Credit Outstandings required in connection with such sale, if any. No further authorization from any Lender Party shall be required in connection with any such release."

18. Addition of Exhibit I. The Credit Agreement is hereby amended by adding Exhibit A to this Amendment as Exhibit I thereto.

19. Redetermination of the Borrowing Base. As of the date hereof, the Agent and the Lenders agree that the Borrowing Base shall be $105,000,000, subject to redetermination pursuant to Section 2.9 or reduction pursuant to Section 7.5(c).

20. To induce each Lender Party to enter into this Amendment, the Borrower hereby reaffirms, as of the date hereof, its representations and warranties contained in Article V of the Credit Agreement (except to the extent such representations and warranties relate solely to an earlier date) and additionally represents and warrants as follows:

(a) The Borrower (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, (ii) has all requisite corporate power and authority to own its assets and to carry on its business as now conducted and proposed to be conducted, (iii) is duly qualified to do business and is in good standing in all other jurisdictions where the nature of its business requires it to be so qualified and where the failure to so qualify would materially and adversely affect the business, assets, properties or condition (financial and otherwise), of the Borrower;

(b) The execution, delivery and performance by the Borrower of this Amendment are within the Borrower's corporate powers, have been duly authorized by all necessary action of the Borrower, require, in respect of the Borrower, no action by or in respect of, or filing with, any governmental authority which has not been performed or obtained and do not contravene, or constitute a default under, any provision of Law or regulation (including, without limitation, Regulation X issued by the Board of Governors of the Federal Reserve System applicable to the Borrower or Regulation U issued by the Board of Governors of the Federal Reserve System) or the articles of incorporation or the bylaws of the Borrower or any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower except as contemplated by the Loan Documents;

(c) This Amendment is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

21. Issuer As A Party To The Credit Agreement.

(a) The Toronto-Dominion Bank agrees to become a party to the Credit Agreement and to have the rights and perform the obligations of Issuer under the Credit Agreement and any other Loan Document, and to be bound in all respects as Issuer by the terms of the Credit Agreement and any other Loan Document effective as of the date hereof.

(b) The Toronto-Dominion Bank (i) confirms that it has received a copy of the Credit Agreement (including all exhibits and schedules thereto), together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment and (ii) agrees that it will perform in accordance with their terms, all of the obligations which by the terms of the Credit Agreement are required to be performed by it as Issuer.

(c) As of the date hereof, each of the parties hereto agree that The

Toronto-Dominion Bank shall be a party to the Credit Agreement and to the extent provided in the Credit Agreement, have the rights and obligations of Issuer thereunder.

22. Conditions Precedent: The effectiveness of this Amendment shall be subject to the prior or concurrent satisfaction, on or before December 5, 2000, of the conditions precedent that the Agent shall have received all of the following, in form and substance satisfactory to the Agent, and, if applicable, in sufficient number of signed counterparts:

(a) This Amendment, duly executed by the Borrower, the Agent, Issuer and each Lender;

(b) That certain First Amendment to Second Amended and restated Subsidiary Guaranty, dated as of the date hereof, duly executed by the Agent and W&T LLC;

(c) That certain First Amendment to Amended and restated Security Agreement, dated as of the date hereof, duly executed by the Agent and Borrower; and

(d) An amendment fee, for the pro rata account of each of the Lenders hereto of $150,000 ($112,500 (0.125% times $90,000,000) plus $37,500 (0.25% times the incremental amount of Borrowing Base in excess of $90,000,000)).

23. This Amendment shall be deemed to be an amendment to the Credit Agreement, and the Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Credit Agreement in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Credit Agreement as amended hereby. This Amendment is a Loan Document.

24. THIS AMENDMENT SHALL BE DEEMED A CONTRACT AND INSTRUMENT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES OF AMERICA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

25. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or affecting the validity or enforceability of such provision in any other jurisdiction.

26. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing one or more counterparts. Any signature hereto delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

27. This Amendment shall be binding upon the Borrower and its successors and permitted assigns and shall inure, together with all rights and remedies of each Lender Party hereunder, to the benefit of each Lender Party and the respective successors, transferees and assigns.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

BORROWER:

W&T OFFSHORE, INC.,
a Nevada corporation

By: /s/ W. Reid Lea

Name: W. Reid Lea
Title: CFO

Address: 3900 Causeway Boulevard
One Lakeway Center, Suite 1210
Metairie, LA 70002

Telephone: (504) 831-4171
Fax: (504) 831-4322

AGENT:

TORONTO DOMINION (TEXAS), INC.,
as Agent and as Lender

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

Address: 909 Fannin, Suite 1700
Houston, Texas 77010
Attention: Energy Group

Telephone: (713) 653-8241
Fax: (713) 951-9921

LENDERS:

FORTIS CAPITAL CORP.,
as Lender

By: /s/ illegible

Name:
Title:

By: /s/ Deirdre Sanborn

Name: Deirdre Sanborn
Title: Vice President

Address: 100 Crescent Court
Suite 1777
Dallas, Texas 75201

Telephone: (214) 754-0009
Fax: (214) 754-5982

NATEXIS BANQUES POPULAIRES,
as Lender

By: /s/ Donovan C. Broussard

Name: Donovan C. Broussard
Title: Vice President

By: /s/ Renaud J. d'Herbes

Name: Renaud J. d'Herbes
Title: Senior Vice President and
Regional Manager

Address: 333 Clay Street
Ste. 4340
Houston, Texas 77002

Telephone: (713) 759-9401
Fax: (713) 759-9908

BANK ONE, TEXAS, N.A.,
as Lender

By: /s/ Charles Kingswell-Smith

Name: Charles Kingswell-Smith
Title: First Vice President

Address: 910 Travis Street, 6th Floor
Houston, Texas 77002

Telephone: (713) 751-7803
Fax: (713) 751-3544

BANK OF SCOTLAND,
as Lender

By: /s/ Joseph Fratus

Name: Joseph Fratus
Title: Vice President

Address: 1021 Main Street, Suite 1370
Houston, Texas 77002

Telephone: (713) 651-1870
Fax: (713) 651-9714

CHRISTIANIA BANK OG KREDITKASSE
ASA, NEW YORK BRANCH, as Lender

By: /s/ William S. Phillips /s/ Peter M. Dodge

Name: William S. Phillips Peter M.Dodge
Title: First Vice President Senior Vice President

Address: 11 West 42nd Street, 7th Floor
New York, New York 10036

Telephone: (212) 827-4836
Fax: (212) 827-4888

ISSUER:

THE TORONTO-DOMINION BANK,
as Issuer

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Mgr. Syndications & Credit Admin

Address: 909 Fannin, Suite 1700
Houston, Texas 77010
Attention: Martin Snyder
Telephone: 713-653-8211
Fax: 713-652-2647

EXHIBIT A
TO AMENDMENT

EXHIBIT I
[FORM OF] ISSUANCE REQUEST

Issuance Request

Toronto Dominion (Texas), Inc.
909 Fannin, Suite 1700
Houston, Texas 77010

Attention:

Re: W&T Offshore, Inc.

Ladies and Gentlemen:

This Issuance Request is delivered to you pursuant to Section 2.11(b) of that certain Amended and Restated Credit Agreement, dated as of February 24, 2000 (together with all amendments and other modifications, if any, from time to time made thereto, the "Credit Agreement"), by and among W&T Offshore, Inc., a Nevada corporation (the "Borrower"), the various financial institutions as are, or may from time to time become, parties thereto (collectively, the "Lenders"), The Toronto-Dominion Bank, as issuer of Letters of Credit (in such capacity, together with any successors thereto, the "Issuer"), and Toronto Dominion (Texas), Inc., individually and as agent (in such capacity, together with any successor(s) thereto in such capacity, the "Agent") for the Lenders. Terms used herein have the meanings provided in the Credit Agreement unless otherwise defined herein or the context otherwise requires.

The Borrower hereby requests that the Issuer issue a Letter of Credit on [Date] in the aggregate Stated Amount of [and in the form attached
---
hereto]./1/

The beneficiary of the requested Letter of Credit will be
---,
and such Letter of Credit will be in support of the [Provide Description] and will have a Stated Expiry Date of [Date]. The following documents will be

required upon presentation: [Provide Description]

Attached hereto is an executed copy of an [Application for Letter of Credit]

- ----------
/1/ Include where the Borrower is providing the form of Letter of Credit requested to be issued.

IN WITNESS WHEREOF, the Borrower has caused this Issuance Request to be executed and delivered by its duly authorized officer this day of , 20 .
--- - ---------- --

BORROWER:

W&T OFFSHORE, INC.,
a Nevada corporation

By: _____
Name:
Title:

Address: 3900 Causeway Boulevard
One Lakeway Center, Suite 1210
Metairie, LA 70002

Telephone: (504) 831-4171
Fax: (504) 831-4322

EXHIBIT 10.3

SECOND AMENDMENT TO AMENDED AND RESTATED
CREDIT AGREEMENT (REVOLVING CREDIT AGREEMENT)

THIS SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (REVOLVING CREDIT AGREEMENT) (herein called this "Amendment"), dated effective as of May 31, 2002, is entered into by and among W&T OFFSHORE, INC., a Nevada corporation, as the borrower (the "Borrower"), the various financial institutions parties hereto, as lenders (collectively, the "Lenders"), THE TORONTO-DOMINION BANK, as issuer of Letters of Credit (in such capacity together with any successors thereto, the "Issuer"), and TORONTO DOMINION (TEXAS), INC., individually and as agent (in such capacity together with any successors thereto, the "Agent") for the Lenders. Terms defined in the Revolving Credit Agreement (as hereinafter defined) are used herein with the same meanings as given them therein, unless the context otherwise requires.

W I T N E S S E T H

WHEREAS, the Borrower, the Lenders (or their predecessors-in-interest), the Issuer and the Agent have heretofore entered into that certain Amended and Restated Credit Agreement (Revolving Credit Agreement), dated as of February 24, 2000, as amended pursuant to that certain First Amendment to Amended and Restated Credit Agreement dated as of December 5, 2000 (as so amended, and as from time to time amended, supplemented, restated or otherwise modified, the "Revolving Credit Agreement"), pursuant to which the Lenders and Issuer have agreed to make Loans to the Borrower or issue or participate in Letters of Credit on behalf of the Borrower; and

WHEREAS, the Borrower, the Lenders, the Issuer and the Agent intend to amend the Revolving Credit Agreement to provide for, among other things, an increase in the Commitment Amount, an increase to the current Borrowing Base, and the inclusion of a Facility Amount, as hereinafter provided;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrower, the Lenders, the Issuer and the Agent hereby agree as follows:

1. Amendments to Revolving Credit Agreement. The Revolving Credit Agreement is amended as follows:

(a) Amendment of Section 1.1. The definition of "Commitment Amount" in Section 1.1 of the Credit Agreement is amended hereby in its entirety to read as follows:

""Commitment" means $140,000,000."

(b) Amendment of Section 1.1. Section 1.1 of the Revolving Credit Agreement is hereby amended by inserting in the appropriate alphabetical order the following:

""Facility Amount" means $250,000,000."

(c) Amendment of Section 2.1. The second sentence of Section 2.1 of the Revolving Credit Agreement is hereby amended and restated in its entirety to read as follows:

> "No Lender shall be permitted or required to (a) make any Loan if, after giving effect thereto (i) the Facility Usage would exceed the lowest of (A) the Borrowing Base determined as of the date on which the requested Loans are to be made, (B) the Commitment or (C) the Facility Amount, (ii) the Loan by such Lender would exceed such Lender's Percentage Share of the aggregate amount of Loans then requested from all Lenders, or (iii) the sum of the aggregate outstanding principal amount of all Loans of such Lender together with such Lender's Percentage Share of Letter of Credit Outstandings would exceed such Lender's Percentage Share of the lowest of (A) the Borrowing Base then outstanding, (B) the Commitment or (C) the Facility Amount; or (b) issue (in the case of an Issuer) or participate in (in the case of a Lender) any Letter of Credit if, after giving effect thereto (i) the Facility Usage would exceed the lowest of (A) the Borrowing Base determined as of the date on which the requested Letter of Credit is to be issued, (B) the Commitment or (C) the Facility Amount; (ii) such Lender's Percentage Share of all Letter of Credit Outstandings together with the aggregate outstanding principal amount of all Loans of such Lender would exceed such Lender's Percentage Share of the lowest of (A) the Borrowing Base then outstanding, (B) the Commitment or (C) the Facility Amount; or (iii) all letter of Credit Outstandings would exceed $5,000,000."

(d) Amendment of Section 6.15. Section 6.15 of the Credit Agreement is amended by replacing the words "ninety-five percent (95%)" with the words "ninety percent (90%)".

(e) Amendment to Schedule 3 (Lenders Schedule). Schedule 3 to the Revolving Credit Agreement is hereby amended and restated in its entirety as set forth in Schedule 3 attached hereto.

2. Redetermination of the Borrowing Base. As of the Effective Date, the parties hereto agree that the Borrowing Base shall be $140,000,000, subject to redetermination pursuant to Section 2.9 of the Revolving Credit Agreement or reduction pursuant to Section 7.5(c) of the Revolving Credit Agreement.

3. Representations and Warranties. To induce each Lender Party to enter into this Amendment, the Borrower hereby reaffirms, as of the date hereof, its representations and warranties contained in Article V of the Revolving Credit Agreement (except to the extent such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true, correct and complete as of such earlier date) and additionally represents and warrants as follows:

(a) Due Incorporation, Etc. The Borrower (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, (ii) has all requisite corporate power and authority to own its assets and to carry on its business as now conducted and proposed to be conducted, (iii) is duly qualified to do business and is in good standing in all other jurisdictions where the nature of its business requires it to be so qualified and where the failure to so qualify would materially and adversely affect the business, assets, properties or condition (financial and otherwise), of the Borrower;

(b) Non-Contravention. The execution, delivery and performance by the Borrower of this Amendment are within the Borrower's corporate powers, have been duly authorized by all necessary action of the Borrower, require, in respect of the Borrower, no action by or in respect of, or filing with, any governmental authority which has not been performed or obtained and do not contravene, or constitute a default under, any provision of Law or regulation (including, without limitation, Regulation X issued by the Board of Governors of the Federal Reserve System applicable to the Borrower or Regulation U issued by the Board of Governors of the Federal Reserve System) or the articles of incorporation or the bylaws of the Borrower or any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower except as contemplated by the Loan Documents;

(c) Legal, Valid and Binding. This Amendment is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

4. Effectiveness. This Amendment shall be effective as of May 31, 2002, following the satisfaction of the following conditions (the "Effective Date"):

(a) the Agent's receipt of this Amendment, duly executed by each of the parties hereto;

(b) the payment in full by the Borrower of all "Obligations" under the Acquisition Agreement and the Acquisition Loan Documents, and the permanent reduction of the "Commitment" under the Acquisition Agreement to zero;

(c) the execution and delivery of replacement Notes issued by the Borrower and payable to each of the Lenders in the principal amounts set forth on the column entitled "Portion of Facility Amount" in Schedule 3 hereto;

(d) the execution and delivery by the Borrower and W&T Offshore, L.L.C. ("W&T LLC") of amendments and/or supplements to the Borrower Mortgage and the W&T LLC Mortgage, respectively, in form and substance satisfactory to the Agent, together with related UCC-3 amendments and/or in-lieu financing statements for filing in the appropriate jurisdictions;

(e) a ratification of the Security Agreement (as defined in Schedule 2 to the Credit Agreement) by the Borrower and a ratification of the Second Amended and Restated Subsidiary Guaranty of W&T LLC dated as of February 24, 2000, by W&T LLC; and

(f) such other documents or agreements as the Agent may reasonably request prior to the Effective Date in connection with the execution of this Amendment.

5. Ratification of Amendment. This Amendment shall be deemed to be an amendment to the Revolving Credit Agreement, and the Revolving Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Revolving Credit Agreement in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Revolving Credit Agreement as amended hereby. This Amendment is a Loan Document.

6. GOVERNING LAW. THIS AMENDMENT SHALL BE DEEMED A CONTRACT AND INSTRUMENT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES OF AMERICA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

7. Severability. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or affecting the validity or enforceability of such provision in any other jurisdiction.

8. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing one or more counterparts. Any signature hereto delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

9. Successors and Assigns. This Amendment shall be binding upon the Borrower and its successors and permitted assigns and shall inure, together with all rights and remedies of each Lender Party hereunder, to the benefit of each Lender Party and the respective successors, transferees and assigns.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

BORROWER:

W&T OFFSHORE, INC.,
a Nevada corporation

By: /s/ Tracy W. Krohn

Name: Tracy W. Krohn
Title: CEO

AGENT:

TORONTO DOMINION (TEXAS), INC.,
as Agent

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

ISSUER:

THE TORONTO-DOMINION BANK,
as Issuer

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Mgr. Syndications & Credit Admin.

LENDERS:

TORONTO DOMINION (TEXAS), INC.,
as Lender

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

BANK ONE, NA (Main Office - Chicago),
as Lender

By: /s/ Thomas Okamoto

Name: Thomas E. Okamoto
Title: Associate Director

FORTIS CAPITAL CORP.,
as Lender

By: /s/ Christopher S. Parada

Name: Christopher S. Parada
Title: Vice President

By: /s/ Darrell W. Holley

Name: Darrell W. Holley
Title: Managing Director

BANK OF SCOTLAND, as Lender

By: /s/ Joseph Fratus

Name: Joseph Fratus
Title: Vice President

UNION BANK OF CALIFORNIA, N.A., as
Lender

By: ./s/ Carl Stutzman

Name: Carl Stutzman
Title: Senior Vice President and Manager

By: ./s/ Ali Ahmed

Name: Ali Ahmed
Title: Vice President

NATEXIS BANQUES POPULAIRES,
as Lender

By: /s/ Donovan C. Broussard

Name: Donovan C. Broussard
Title: Vice President

By: ./s/ Renaud J. d'Herbes

Name: Renaud J. d'Herbes
Title: Senior Vice President
and Regional Manager

SCHEDULE 3

LENDERS SCHEDULE

<TABLE>
<CAPTION>

	Portion of	Portion of

	Percentage Share	Commitment Amount	Facility Amount
<S>	<C>	<C>	<C>
Lending Office for ABR Loans:			
Toronto Dominion (Texas), Inc. 909 Fannin, Suite 1700 Houston, Texas 77010 Tel: (713) 653-8211 Fax: (713) 652-2647	20.370370%	$ 28,518,518.52	$ 50,925,925.93
Bank One, NA (Main Office - Chicago) Attn: Special Services 500 Throckmorton - PG6 Fort Worth, Texas 76101 Tel: (817) 884-5000 Fax.: (817) 884-4095	20.370370%	$ 28,518,518.52	$ 50,925,925.93
Fortis Capital Corp. 100 Crescent Court, Suite 1777 Dallas, Texas 75201 Tel: (214) 754-0009 Fax: (214) 754-5982	18.518519%	$ 25,925,925.93	$ 46,296,296.29
Bank of Scotland 565 Fifth Avenue New York, New York 10017 Tel: (212) 450-0877 Fax: (212) 687-4412	14.814815%	$ 20,740,740.74	$ 37,037,037.04
Union Bank of California 455 South Figueroa Street, 15th Floor Los Angeles, California 90071 Tel: (214) 922-4207/4211 Fax: (214) 922-4209	14.814815%	$ 20,740,740.74	$ 37,037,037.04
Natexis Banque Populaires 333 Clay Street, Suite 4340 Houston, Texas 77002 Tel: (713) 759-9401 Fax: (713) 759-9908	11.111111%	15,555,555.55	$ 27,777,777.77
Total	100.000000%	$140,000,000.00	$250,000,000.00

</TABLE>

SCHEDULE 3

EXHIBIT 10.4

THIRD AMENDMENT TO AMENDED AND RESTATED
CREDIT AGREEMENT (REVOLVING CREDIT AGREEMENT)

THIS THIRD AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (REVOLVING CREDIT AGREEMENT) (herein called this "Amendment"), dated effective as of December 2, 2002, is entered into by and among W&T OFFSHORE, INC., a Nevada corporation, as the borrower (the "Borrower"), the various financial institutions parties hereto, as lenders (collectively, the "Lenders"), THE TORONTO-DOMINION BANK, as issuer of Letters of Credit (in such capacity together with any successors thereto, the "Issuer"), and TORONTO DOMINION (TEXAS), INC., individually and as agent (in such capacity together with any successors thereto, the "Agent") for the Lenders. Terms defined in the Revolving Credit Agreement (as hereinafter defined) are used herein with the same meanings as given them therein, unless the context otherwise requires.

W I T N E S S E T H

WHEREAS, the Borrower, the Lenders (or their predecessors-in-interest) and the Agent have heretofore entered into that certain Amended and Restated Credit Agreement, dated as of February 24, 2000, as amended pursuant to that certain First Amendment to Amended and Restated Credit Agreement dated as of December 5, 2000, among the Borrower, the Lenders, the Issuer and the Agent, as further amended pursuant to that certain Second Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of May 31, 2002, among the Borrower, the Lenders, the Issuer and the Agent (as so amended, and as from time to time amended, supplemented, restated or otherwise modified, including pursuant to this Amendment, the "Revolving Credit Agreement"), pursuant to which the Lenders and Issuer have agreed to make Loans to the Borrower or issue or participate in Letters of Credit on behalf of the Borrower; and

WHEREAS, the Borrower, the Lenders, the Issuer and the Agent intend to amend the Revolving Credit Agreement to provide for, among other things, an adjustment to the current Borrowing Base, and an amendment to the Facility Amount, as hereinafter provided;

WHEREAS, the Borrower has requested that the Revolving Credit Agreement be amended to allow BMO Nesbitt Burns Financing, Inc. ("BMO") and Royal Bank of Canada ("RBC") to become "Lenders" party to the Revolving Credit Agreement, as set forth herein; and

WHEREAS, subject to the terms and conditions of this Amendment, the parties hereto are willing to enter into this Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrower, the Lenders, the Issuer and the Agent hereby agree as follows:

1. Amendments to Revolving Credit Agreement. The Revolving Credit Agreement is amended as follows:

(a) Amendment of Section 1.1. The definition of "Commitment Amount" in Section 1.1 of the Credit Agreement is amended hereby in its entirety to read as follows:

""Commitment" means $180,000,000."

(b) Amendment of Section 1.1. The definition of "Commitment Fee Rate" in Section 1.1 of the Revolving Credit Agreement is amended hereby in its entirety to read as follows:

""Commitment Fee Rate" means, on each day:

(a) three-eights of one percent (0.375%) per annum when the Facility Usage on such day is less than ninety percent (90%) of the Facility Amount on such day, and

(b) one-half of one percent (0.50%) per annum when the Facility Usage on such day is greater than or equal to ninety percent (90%) of the Facility Amount on such day.

(c) Amendment of Section 1.1. The definition of "Facility Amount" in Section 1.1 of the Revolving Credit Agreement is amended hereby in its entirety to read as follows:

""Facility Amount" means $180,000,000."

(d) Amendment of Section 1.1. The definition of "Lender Parties" or "Lender Party" in Section 1.1 of the Revolving Credit Agreement are amended hereby in its entirety to read as follows:

""Lender Parties" means the Agent, the Issuer, the Lenders and Affiliates

of Lenders who have entered into Hedging Contracts with the Borrower and their successors, transferees and assigns; and "Lender Party" means any of them."

(e) Amendment of Section 1.1. The definition of "Maturity Date" in Section 1.1 of the Revolving Credit Agreement is amended hereby in its entirety to read as follows:

""Maturity Date" means December 2, 2005 or such later date as such Maturity Date is extended in accordance with Section 2.10."

(f) Amendment of Section 1.1. Section 1.1 of the Revolving Credit Agreement is hereby amended by adding the following definitions to such Section in alphabetical order:

""Burlington Real Property" means the real property interests acquired by Offshore I, Offshore II and Offshore III from Burlington Resources Offshore Inc. LLOXY Holdings, Inc. and The Louisiana Land and Exploration Company as described in Exhibit A to the Third Amendment dated effective as of December 2, 2002 to this Agreement.

"FS Investment" means FS Private Investments III LLC.

"Offshore I" means Offshore Energy I LLC, a Delaware limited liability company.

"Offshore II" means Offshore Energy II LLC, a Delaware limited liability company.

"Offshore III" means Offshore Energy III LLC, a Delaware limited liability company."

(g) Amendment of Section 2.5(a). Section 2.5(a) of the Revolving Credit Agreement is amended hereby in its entirety to read as follows:

"(a) Commitment Fees. In consideration of each Lender's commitment to make Loans, Borrower will pay to Agent for the account of each Lender a commitment fee determined on a daily basis by applying the Commitment Fee Rate to such Lender's Percentage Share of the unused portion of the Commitment on each day during the Commitment Period, determined for each such day by deducting from the amount of the Commitment at the end of such day the Facility Usage. This commitment fee will be due and payable in arrears on each ABR Payment Date and at the end of the Commitment Period."

(h) Amendment of Section 6.6. Section 6.6 of the Revolving Credit Agreement is amended hereby by adding the following at the end of such Section before the period:

"; provided that the foregoing shall not prohibit the Borrower from converting from an S corporation to a C corporation (as such terms are defined in the Internal Revenue Code); provided further that the foregoing shall not prohibit the Borrower from merging itself into a Delaware corporation named W&T Offshore, Inc. so long as within thirty (30) days of such merger the Borrower shall have filed or caused to be filed a copy of the articles of merger reflecting such merger in the real property records in each jurisdiction where any of the Security Documents has been filed or recorded and so long as the Borrower shall have taken such other actions as are necessary and appropriate or as otherwise requested by the Agent to ensure that the liens and security interests granted pursuant to the Security Documents in and to all Collateral remain valid perfected first priority liens and security interests in favor of the Agent for the benefit of the Lender Parties and, in the case of mortgages or deeds of trust referenced in Schedule 2, in favor of the trustee, including, without limitation, filing the certificate of merger in the appropriate governmental offices of all jurisdictions in which the Borrower or any of its subsidiaries that is a party to a Security Document owns property and taking such other actions as may be required by the Minerals Management Service"

(i) Amendment to Article VI. Article VI of the Revolving Credit Agreement is amended hereby by inserting a new Section 6.20 at the end of such Article as follows:

"Section 6.20. Certain Hedging Requirements. In the event that the Borrower has failed to issue the Preferred Shares (as defined in Section 7.4) in form and substance satisfactory to the Agent within 60 days following December 2, 2002, the Borrower shall have entered into one or more commodity Hedging Contracts with counterparties acceptable to the Agent, each with a term not in excess of 2 years, on volumes of crude oil and natural gas and at prices sufficient to result in the Borrower receiving at least $20 million of revenues in excess of the revenues which would have been received by the Borrower on those same volumes using a

price of $21.50/barrel for crude oil and a price of $3.00/mmbtu for natural gas; provided, however, that to the extent that the Borrower enters into one or more interest rate hedging agreements with counterparties acceptable to the Agent, with a term of at least one year to cover all or a portion of the Loans, then the $20 million referenced above shall be reduced by $1 million for each notional amount of

$20 million so hedged, up to a maximum reduction not to exceed $3 million in the aggregate."

(j) Amendment of Section 7.3(b). Section 7.3(b) of the Revolving Credit Agreement is amended hereby by replacing all references to "eighty-five percent (85%)" therein with references to "seventy-five percent (75%)".

(k) Amendment of Section 7.4. Section 7.4 of the Revolving Credit Agreement is amended hereby by adding the following at the end of the first sentence of such Section 7.4 before the period:

"; provided that the foregoing shall not prohibit the Borrower from merging itself into a Delaware corporation named W&T Offshore, Inc. so long as it shall comply with the requirements of the further proviso of Section 6.6 of this Agreement and provided further that the foregoing will not prohibit the Borrower from forming W&T Energy I, LLC, W&T Energy II, LLC and W&T Energy III, LLC, nor will it prohibit Offshore I's merging with W&T Energy I, LLC, nor of Offshore II's merging with W&T Energy II, LLC nor of Offshore III's merging with W&T Energy III, LLC for the purpose of acquiring the Burlington Real Property so long as the Borrower shall take the actions and deliver the documents described in the proviso of Section 1(s) to the Third Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated as of December 2, 2002"

Section 7.4 of the Revolving Credit Agreement is further amended hereby by adding the following at the end of the second sentence of Section 7.4 before the period:

"; provided, further that the foregoing shall not prohibit the Borrower from issuing up to 2,000,000 shares of Series A Preferred Stock with a liquidation preference of $50,000,000 and with other rights and provisions acceptable to the Agent (the "Preferred Stock") in exchange for 1000 shares of the common stock of Borrower held by ING Furman Selz Investors III L.P., ING Barings U.S. Leveraged Equity Plan LLC and ING Barings Global Leveraged Equity Plan Ltd., and their assignees."

(l) Amendment of Section 7.5. Section 7.5 of the Revolving Credit Agreement is amended hereby by adding the following to the end of the penultimate sentence thereof before the period:

"; provided, however that the foregoing shall not prohibit the Borrower from selling W&T LLC to Mr. Krohn and Mrs. Freel for approximately $1,000,000 in cash"

(m) Amendment of Section 7.6. Section 7.6 of the Revolving Credit Agreement is amended hereby by adding the following at the end of the first sentence thereof:

"; provided that the Borrower may redeem 300 shares of stock of the Borrower held by William Bethea, individually and as trustee, for up to $15,000,000 so long as (1) such redemption occurs not later than 90 days after December 2, 2002, and (2) no Event of Default or Borrowing Base Deficiency has occurred and is continuing or would result from such redemption, provided, however that the foregoing proviso is not and shall not

be deemed to be an amendment to or modification of any provisions of this Agreement other than this Section 7.6."

Section 7.6 of the Revolving Credit Agreement is further amended hereby by adding the following to the end of clause (ii) of the second sentence of such Section before the word "or":

"provided, that no Permitted Tax Distributions shall be made by Borrower at any time after Borrower has converted to a C corporation as permitted by Section 6.6 of this Agreement except for those Permitted Tax Distributions that would have occurred as a result of the "S" elections made prior to the date of such conversion."

(n) Amendment of Section 7.9. Section 7.9 of the Revolving Credit Agreement is amended hereby by adding the following to the end of clause (i) thereof before the semicolon at the end of such clause (i):

"or to the put option agreement (the "Put Option") entered into in conjunction with the Preferred Shares (as defined in Section 7.4) so long as the terms and provisions of such Put Option are acceptable to the Agent"

(o) Amendment of Section 10.1. Section 10.1 of the Revolving Credit Agreement is amended hereby by inserting the words "increase the Facility Amount or the aggregate Commitment of the Lenders to an amount in either case in excess of $250,000,000 or" at the beginning of clause (5) of Section 10.1.

(p) Amendment of Section 10.14. Section 10.14 of the Revolving Credit Agreement is amended hereby by adding the following after the end of the first sentence thereof:

"Upon consummation of the sale of W&T LLC to Mr. Krohn and Mrs. Freel for approximately $1,000,000, the Agent is authorized by the Lenders and the Issuer to release the guaranty of W&T LLC and the Security Documents executed and delivered by W&T LLC without further action or consent from the Lenders or the Issuer."

(q) Amendment to Schedule 2 (Security Schedule). Schedule 2 to the Revolving Credit Agreement is hereby amended and restated in its entirety as set forth in Schedule 2 attached hereto.

(r) Amendment to Schedule 3 (Lenders Schedule). Schedule 3 to the Revolving Credit Agreement is hereby amended and restated in its entirety as set forth in Schedule 3 attached hereto.

(s) Redetermination of the Borrowing Base. As of the Effective Date, the parties hereto agree that the Borrowing Base shall be $130,000,000; provided that (i) if Offshore I, Offshore II and Offshore III (A) acquire all of the Burlington Real Property, (B) guaranty the Obligations as provided in Section 6.19, (C) execute and deliver documentation (including opinions) in form and substance satisfactory to Agent, granting to Agent first perfected liens on the Burlington Real Property and related equipment and contracts and (ii) the Borrower and Offshore I, Offshore II and Offshore III furnish to the Agent (1) title opinions in scope, form and substance satisfactory to the Agent regarding the Burlington Real Property, (2) other documents

and information relating to Offshore I, Offshore II and Offshore III and the Burlington Real Property as the Agent may reasonably request, including evidence of formation of W&T Energy I, LLC, W&T Energy II, LLC, and W&T Energy III, LLC and evidence of the merger of W&T Energy I, LLC, W&T Energy II, LLC and W&T Energy III, LLC into Offshore I, Offshore II and Offshore III, respectively, with Offshore I, Offshore II and Offshore III as survivors, (3) evidence of the closing of the acquisition by the Borrower of Offshore I, Offshore II and Offshore III on terms acceptable to the Agent, (4) copies, certified true and correct by an authorized officer of the Borrower, of the assignment of the Burlington Real Property into Offshore I, Offshore II and Offshore III, of the purchase or merger agreements evidencing the transfer of stock of Offshore I, Offshore II and Offshore III to the Borrower, (5) omnibus certificates for each of Offshore I, Offshore II and Offshore III, attaching appropriate resolutions, certificates of formation, organic documents and certificates of incumbency, in form and substance satisfactory to the Agent, (6) good standing and existence certificates for each of Offshore I, Offshore II and Offshore III in its respective states of organization, issued by the appropriate authorities of such jurisdiction, together with certificates of its respective good standing and due qualification to do business, issued by appropriate officials in any states in which any of them owns property subject to Security Documents and (7) solvency certificates from each of Offshore I, Offshore II and Offshore III, in form and substance satisfactory to the Agent; then upon satisfaction of the foregoing requirements (i) and (ii) (including all sub-requirements thereof), provided that such requirements are satisfied on or before March 1, 2003, the Borrowing Base shall automatically, without further action by the Agent, the Borrower or any Lender, increase by $50,000,000. In each instance, it is agreed that the Borrowing Base is subject to redetermination pursuant to Section 2.9 of the Revolving Credit Agreement or reduction pursuant to Section 7.5(c) of the Revolving Credit Agreement.

2. Representations and Warranties. To induce each Lender Party to enter into this Amendment, the Borrower hereby reaffirms, as of the date hereof, its representations and warranties contained in the Revolving Credit Agreement (except to the extent such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true, correct and complete as of such earlier date) and additionally represents and warrants as follows:

(a) Due Incorporation, Etc. The Borrower (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, (ii) has all requisite corporate power and authority to own its assets and to carry on its business as now conducted and proposed to be conducted, (iii) is duly qualified to do business and is in good standing in all other

jurisdictions where the nature of its business requires it to be so qualified and where the failure to so qualify would materially and adversely affect the business, assets, properties or condition (financial and otherwise), of the Borrower.

(b) Non-Contravention. The execution, delivery and performance by the Borrower of this Amendment are within the Borrower's corporate powers, have been duly authorized by all necessary action of the Borrower, require, in respect of the Borrower, no action by or in respect of, or filing with, any governmental authority which has not been performed or obtained and do not contravene, or constitute a default under, any provision of Law or regulation (including, without limitation, Regulation X issued by the Board of Governors of the Federal Reserve System applicable to the Borrower or Regulation U issued by the Board of Governors of the

Federal Reserve System) or the articles of incorporation or the bylaws of the Borrower or any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower except as contemplated by the Loan Documents.

(c) Legal, Valid and Binding. This Amendment is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

3. Effectiveness. This Amendment shall be effective as of December 2, 2002, following the satisfaction of the following conditions (the "Effective Date"):

(a) the Agent's receipt of this Amendment, duly executed by each of the parties hereto;

(b) the execution and delivery of replacement Notes issued by the Borrower and payable to each of the Lenders in the principal amounts set forth on the column entitled "Portion of Facility Amount" in Schedule 3 hereto, which Notes shall be a renewal and replacement of, and shall be given in substitution and exchange for, but not in payment of, those Notes held by each Existing Lender (as defined below) prior to the effectiveness of this Amendment;

(c) the execution and delivery of one or more supplemental mortgages and/or deeds of trust duly executed by the Borrower, covering the real property interests as described in Exhibit B hereto (the "Borrower Supplemental Real Property"), in scope, form and substance satisfactory to the Agent, together with related UCC-3 amendments for filing in the appropriate jurisdictions;

(d) an opinion from Schully, Roberts, Slattery, Jaubert & Maring, pertaining to due authorization, enforceability, perfection and such other matters as requested by the Agent, in form and substance satisfactory to the Agent;

(e) the agreements with Burlington Resources, Inc., Jefferies & Co. and FS Investment and such agreements shall be satisfactory to the Agent; and

(f) such other documents or agreements as the Agent may reasonably request prior to the Effective Date in connection with the execution of this Amendment.

4. Ratification of Amendment. This Amendment shall be deemed to be an amendment to the Revolving Credit Agreement, and the Revolving Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Revolving Credit Agreement in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Revolving Credit Agreement as amended hereby. This Amendment is a Loan Document.

5. New Lenders; Exiting Lender; Purchase and Sale of Loans, Etc.

(a) Upon the effectiveness of this Amendment and by its execution and delivery hereof, (i) each of BMO and RBC shall be deemed automatically to have become a party to the Revolving Credit Agreement, shall have all the rights and obligations of a "Lender" under the

Revolving Credit Agreement and the other Loan Documents as if each were an original signatory thereto, and shall agree, and does hereby agree, to be bound by the terms and conditions set forth in the Revolving Credit Agreement and the other Loan Documents to which the Lenders are a party, in each case, as if each were an original signatory thereto and (ii) Union Bank of California, N.A. (the "Exiting Lender"), shall cease to become a Lender and shall relinquish its rights (provided that it shall still be entitled to any rights of indemnification in respect of any circumstance or event or condition arising prior to the Effective Date) and be released from its obligations under the Revolving Credit Agreement and the other Loan Documents.

(b) Each of BMO and RBC (i) confirms that it has received a copy of the Revolving Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment and the Revolving Credit Agreement; (ii) agrees that it will, independently and without reliance upon the Agent, the Issuer or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Revolving Credit Agreement; (iii) represents and warrants that its name set forth herein is its legal name; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Revolving Credit Agreement are required to be performed by it as a Lender.

(c) Each of BMO and RBC hereby advises each other party hereto that its respective address for notices shall be as set forth below its name Schedule 3 hereto.

(d) The Lenders party to the Revolving Credit Agreement prior to the effectiveness of this Amendment (the "Existing Lenders") hereby sell, assign, transfer and convey, and each of BMO and RBC hereby purchases and accepts, so much of the aggregate Commitments under, Loans outstanding under, and participations in Letters of Credit issued pursuant to, the Revolving Credit Agreement such that, after giving effect to this Amendment, the Percentage of each Lender (including the Existing Lenders and each of BMO and RBC), and the portion of the Commitment Amount and portion of Facility Amount of each Lender, shall be as set forth on Schedule 3 hereto. The foregoing assignments, transfers and conveyances are without recourse to the Existing Lenders and without any warranties whatsoever by the Agent, the Issuer or any Existing Lender as to title, enforceability, collectibility, documentation or freedom from liens or encumbrances, in whole or in part, other than the warranty of each Existing Lender that it has not previously sold, transferred, conveyed or encumbered such interests.

(e) The Assignors and the Assignees shall make all appropriate adjustments in payments under the Revolving Credit Agreement, the Notes and the other Loan Documents for periods prior to the adjustment date among themselves.

6. Limited Waiver of Section 7.9. The Lenders agree that the formation of the New W&T Subsidiaries shall not constitute a breach under Section 7.9 of the Credit Agreement; provided that such New W&T Subsidiaries are formed solely for the purpose of merging into Offshore I, Offshore II and Offshore III and that, following such merger, Offshore I, Offshore II

and Offshore III remain the only survivors of such mergers. The Lenders further agree that the acquisition of Offshore I, Offshore II and Offshore III shall not constitute a breach under Section 7.9 of the Credit Agreement; provided that each of Offshore I, Offshore II and Offshore III delivers the documents and agreements required to be delivered by each of them in this Amendment, and that each of Offshore I, Offshore II and Offshore III performs and complies with the terms and provisions of the Credit Agreement and the other Loan Documents.

7. Termination of Letter Agreement. That certain Letter Agreement dated as of May 31, 2002 among the Prior Borrower, the Agent, the Issuer and the Lenders, is, in accordance with Section 1 thereof, hereby terminated.

8. GOVERNING LAW. THIS AMENDMENT SHALL BE DEEMED A CONTRACT AND INSTRUMENT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES OF AMERICA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

9. Severability. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or affecting the validity or enforceability of such provision in any other jurisdiction.

10. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing one or more counterparts. Any signature hereto delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

11. Successors and Assigns. This Amendment shall be binding upon the Borrower and its successors and permitted assigns and shall inure, together with all rights and remedies of each Lender Party hereunder, to the benefit of each Lender Party and the respective successors, transferees and assigns.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

BORROWER:

W&T OFFSHORE, INC.,
a Nevada corporation

By: /s/ W. Reid Lea

Name: W. Reid Lea
Title: Chief Financial Officer

AGENT:

TORONTO DOMINION (TEXAS), INC.,
as Agent

By: /s/ Jim Bridwell

Name: Jim Bridwell
Title: Vice President

ISSUER:

THE TORONTO-DOMINION BANK,
as Issuer

By: /s/ Jim Bridwell

Name: Jim Bridwell
Title: Mgr. Credit Admin.

LENDERS:

TORONTO DOMINION (TEXAS), INC.,
as Lender

By: /s/ Jim Bridwell

Name: Jim Bridwell
Title: Vice President

BANK ONE, NA (Main Office - Chicago),
as Lender

By: /s/ Thomas Okamoto

Name: Thomas E. Okamoto
Title: Associate Director

FORTIS CAPITAL CORP.,
as Lender

By: /s/ Christopher S. Parada

Name: Christopher S. Parada
Title: Vice President

By: /s/ Darrell W. Holley

Name: Darrel W. Holley
Title: Managing Director

BANK OF SCOTLAND, as Lender

By: /s/ Joseph Fratus

Name: Joseph Fratus
Title: First Vice President

BMO NESBITT BURNS FINANCING, INC.,
as Lender

By: /s/ James B. Whitmore

Name: James B. Whitmore
Title: Managing Director

NATEXIS BANQUES POPULAIRES,
as Lender

By: /s/ Donovan C. Broussard

Name: Donovan C. Broussard
Title: Vice President

By: /s/ Renaud d'Herbes

Name: Renaud d'Herbes
Title: Senior Vice President &
Regional Manager

ROYAL BANK OF CANADA,
as Lender

By: /s/ Lorne Gartner

Name: Lorne Gartner
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.,
as Exiting Lender

By: /s/ Damien Melburger

Name: Damien Melburger
Title: Senior Vice President

SCHEDULE 2

SECURITY SCHEDULE

1. Amended and Restated Security Agreement dated as of February 24, 2000, from Borrower, in favor of Toronto Dominion (Texas), Inc. ("TD (Texas)"), as Agent (as amended, supplemented, restated or otherwise modified from time to time, the "Security Agreement"), covering all personal property of Borrower.

2. Various Uniform Commercial Code Financing Statements naming Borrower as debtor and TD (Texas), as Agent, as secured party, covering the collateral described in the Security Agreement.

3. Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated February 2, 1998, for Borrower, in favor of TD (Texas), as Agent, successor in interest to General Electric Capital Corporation, covering oil and gas properties located in the States of Louisiana and Texas, as supplemented and amended by that certain First Supplement and Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated July 1, 1999, and by that certain Second Supplement and Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated November 30, 1999, and by that certain Third Supplement and Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated February 24, 2000, and by that certain Fourth Supplement and Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated February 20, 2001, by that certain Fifth Supplement and Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated May 31, 2002, and by that certain Sixth Supplement and Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated December 2, 2002 (as so amended and as amended, supplemented, restated or otherwise modified from time to time, the "Borrower Mortgage").

4. Various Uniform Commercial Code Financing Statements covering the collateral described in the Borrower Mortgage, naming Borrower as debtor and TD (Texas), as Agent, as secured party.

5. Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement by W&T LLC, in favor of TD (Texas), as Agent, successor in interest to General Electric Capital Corporation, covering oil and gas properties located in the States of Louisiana and Texas as supplemented and amended by that certain First Supplement and Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated November 30, 1999, and by that certain Second Supplement and Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated February 24, 2000, and by that certain Third Supplement and Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated May 31, 2002 (as so

amended and as amended, supplemented, restated or otherwise modified from time to time, the "W&T LLC Mortgage")./1/

6. Various Uniform Commercial Code Financing Statements covering the collateral described in the W&T LLC Mortgage, naming W&T LLC as debtor and TD (Texas), as Agent, as secured party./2/

7. Second Amended and Restated Guaranty of W&T Offshore, L.L.C. dated as of February 24, 2000 in favor of TD (Texas) (as amended, supplemented, restated or otherwise modified from time to time, the "W&T LLC Guaranty")./3/

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/1/ To be released upon sale of W&T LLC in accordance with Section 10.14.
/2/ To be terminated upon sale of W&T LLC in accordance with Section 10.14.
/3/ To be terminated upon sale of W&T LLC in accordance with Section 10.14.

LENDERS SCHEDULE

<TABLE>
<CAPTION>

	Percentage Share	Portion of Commitment Amount	Portion of Facility Amount
<S>	<C>	<C>	<C>
Lending Office for ABR Loans:			
Toronto Dominion (Texas), Inc. 909 Fannin, Suite 1700 Houston, Texas 77010 Tel: (713) 653-8211 Fax: (713) 652-2647	17.56097561%	$ 31,609,756.10	$31,609,756.10
Bank One, NA (Main Office - Chicago) Attn: Special Services 500 Throckmorton - PG6 Fort Worth, Texas 76101 Tel: (817) 884-5000	16.82926829%	$ 30,292,682.93	$30,292,682.93

Fax.: (817) 884-4095

Fortis Capital Corp. 100 Crescent Court, Suite 1777 Dallas, Texas 75201 Tel: (214) 754-0009 Fax: (214) 754-5982	16.82926829%	$ 30,292,682.93	$30,292,682.93
Bank of Scotland 565 Fifth Avenue New York, New York 10017 Tel: (212) 450-0877 Fax: (212) 687-4412	14.63414634%	$ 26,341,463.41	$26,341,463.41
BMO Nesbitt Burns Financing, Inc. 700 Louisiana, Suite 4400 Houston, Texas 77002 Tel: (713) 223-4400 Fax: (713) 223-4007	14.63414634%	$ 26,341,463.41	$26,341,463.41
Natexis Banques Populaires 333 Clay Street, Suite 4340 Houston, Texas 77002 Tel: (713) 759-9401 Fax: (713) 759-9908	9.75609756%	$ 17,560,975.61	$17,560,975.61

SCHEDULE 3

Royal Bank of Canada 2800 Post Oak Boulevard Houston, Texas 77056 Tel: (713) 403-5662 Fax: (713) 403-5624	9.75609756%	$ 17,560,975.61	$17,560,975.61
Total	100.000000%	$180,000,000.00	$180,000,000.00

Lending Office for Eurodollar Loans:

Same.

Exhibit "A"
Property Descriptions for Burlington Real Property

I. Property Descriptions for Properties to be mortgaged by Offshore Energy I LLC:

Eugene Island 196

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS 0802 dated effective May 1, 1960, from the United States of America, as Lessor, to Texaco Inc., and Pan American Petroleum Corporation, as Lessees, covering all of Block 196, Eugene Island Area, Official Leasing Map La. No. 4 OCS Leasing Map, Louisiana offshore operations (referred to as "Prior Lease"), as redesignated Oil and Gas Lease No. OCS-G 13821 by segregation on September 25, 1992, effective June 1, 1988, covering the S/2 of S/2, S/2 of NE/4 of SE/4, and SE/4 of NW/4 of SE/4 of Block 196, Eugene Island Area, Official Leasing Map No. 4, OCS Leasing Map (referred to as "New Lease")

Working Interest: 100%
Net Revenue Interest: 81.3333%

An undivided 100% operating rights interest in and to the Oil and Gas Lease No. OCS-G 13821, dated effective June 1, 1988, from the United States of America, as Lessor, to Texaco Inc., and Pan American Petroleum Corporation, as Lessees, INSOFAR AND ONLY INSOFAR as it pertains to the top of the BUL. 1-7 Sand as seen as a subsea depth of 11,990 feet in the Texaco H-1 No. 4 Well in the SE/4 NW/4 SE/4 and N/2 SW/4 SE/4 of Block 196, Eugene Island Area.

Operating Rights Interest: 100%
Net Revenue Interest: 81.3333%

An undivided 100% operating rights interest in and to the Oil and Gas Lease No. OCS-G 13821, dated effective June 1, 1988, from the United States of America, as Lessor, to Texaco Inc. and Pan American Petroleum Corporation, as Lessees, INSOFAR AND ONLY INSOFAR as it pertains to operating rights above a subsea depth of 12,800 feet in the S/2 NE/4 SE/4, SE/4 SE/4, S/2

SW/4 SE/4, and S/2 SW/4 of Block 196, Eugene Island Area.

Operating Rights Interest: 100%
Net Revenue Interest: 81.3333%

Eugene Island 204

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS 0804, dated effective May 1, 1960, from the United States of America, as Lessor, to Texaco Inc., and Pan American Petroleum Corporation, as Lessees, covering all of Block 204, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less.

Working Interest: 100%
Net Revenue Interest: 81.3333%

Eugene Island 205

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS-G 0805, dated effective May 1, 1960, from the United States of America, as Lessor, to Texaco Inc., and Pan American Petroleum Corporation, as Lessees, covering all of Block 205, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less.

Working Interest: 100%
Net Revenue Interest: 81.3333%

Eugene Island 206

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS 0806, dated effective May 1, 1960, from the United States of America, as Lessor, to Texaco Inc., and Pan American Petroleum Corporation, as Lessees, covering all of Block 206, Eugene Island Area, Official Leasing Map La. No. 4, Louisiana offshore operations,OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less.

Working Interest: 100%
Net Revenue Interest: 81.3333%

Eugene Island 217

An undivided 50% record title interest in and to the Oil and Gas Lease No. OCS-G 0978, dated effective May 1, 1962, from the United States of America, as Lessor, to Continental Oil Company, Cities Service Production Company, The Atlantic Refining Company and Tidewater Oil Company, as Lessees, covering all of Block 217, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less.

Working Interest: 50%
Net Revenue Interest: 41.6 6667%

Eugene Island 218

An undivided 75% record title interest in and to the Oil and Gas Lease No. OCS 0807, dated effective May 1, 1960, from the United States of America, as Lessor, to Continental Oil Company, as Lessee, covering all of Block 218, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NE/4 of Block 218, Eugene Island Area.

Working Interest: 75%
Net Revenue Interest: 59.5%

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS 0807, dated effective May 1, 1960, from the United States of America, as Lessor, to Continental Oil Company, as Lessee, covering all of Block 218, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the SW/4 of Block 218, Eugene Island Area.

Working Interest: 100%
Net Revenue Interest: 73.8333%

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS 0807, dated effective May 1, 1960, from the United States of America, as Lessor, to Continental Oil Company, as Lessee, covering all of Block

218, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NW 1/2 of Block 218, Eugene Island Area.

Working Interest: 100%
Net Revenue Interest: 77.08333%

Eugene Island 219

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS 0808, dated effective May 1, 1960, from the United States of America, as Lessor, to Texaco Inc, as Lessee, covering all of Block 219, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less.

Working Interest: 100%
Net Revenue Interest: 81.3333%

Ewing Bank 944 and 988

An undivided 15% record title interest in and to the Oil and Gas Lease No. OCS-G 5809, dated effective July 1, 1983, from the United States of America, as Lessor, to MOBIL OIL EXPLORATION & PRODUCING SOUTHEAST INC., Monsanto Company, Diamond Shamrock Corporation, and Kerr-McGee Corporation, as Lessees, covering all of Blocks 944 and 988, Ewing Bank Area, OCS Official Protraction Diagram, NH 15-12, containing approximately 4,974.36 acres, more or less.

Working Interest: 15%
Net Revenue Interest: 12.5%

Green Canyon 18

An undivided 15% record title interest in and to the Oil and Gas Lease No. OCS-G 4940, dated effective December 1, 1981, from the United States of America, as Lessor, to MOBIL OIL EXPLORATION & PRODUCING SOUTHEAST INC. ("MOEPSI"), Monsanto Company, and Diamond Shamrock Corporation, as Lessees, covering all of Block 18, Green Canyon Area, OCS Official Protraction Diagram, NG 15-3, containing approximately 5,760 acres, more or less.

Working Interest: 15%
Net Revenue Interest: 12.5%

High Island A-571

An undivided 16.66% record title interest in and to the Oil and Gas Lease No. OCS-G 2391, dated effective August 1, 1973, from the United States of America, as Lessor, to Texas Pacific Oil Company, Inc., El Paso Natural Gas Company and CNG Producing Company, as Lessees, covering all of Block A-571, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B, containing approximately 5,760 acres, more or less

Working Interest: 16.6600%
Net Revenue Interest: 13.8833%

Mississippi Canyon 674

An undivided 49% operating rights interest in and to the Oil and Gas Lease No. OCS-G 13687, dated effective July 1, 1992, from the United States of America, as Lessor, to Chevron U.S.A. Inc. and BHP Petroleum (Americas) Inc., as Lessees, covering all of Block 674, Mississippi Canyon Area, OCS Official Protraction Diagram, NG 16-10, containing approximately 5,760 acres, more or less INSOFAR AND ONLY INSOFAR as lease covers from the surface of the earth down to 500 feet below the total vertical

depth (TVD) of the OCS-G 7952 (MC 718) No. 1 Well, said TVD being 22,500 feet and the stratigraphic equivalent of such depths.

Working Interest: 49%
Net Revenue Interest: 37.8745%

Mississippi Canyon 717

An undivided 49% operating rights interest in and to the Oil and Gas Lease No. OCS-G 8499, dated effective June 1, 1986, from the United States of America, as Lessor, to Amoco Production Company and Exxon Corporation, as Lessees, covering all of Block 717, Mississippi Canyon Area, OCS Official Protraction Diagram, NG 16-10, containing approximately 5,760 acres, more

or less INSOFAR AND ONLY INSOFAR as lease covers from the surface of the earth down to 500 feet below the total vertical depth (TVD) of the OCS-G 7952 (MC 718) No. 1 Well, said TVD being 22,500 feet and the stratigrphic equivalent of such depths.

Working Interest: 49%
Net Revenue Interest: 37.8745%

Mississippi Canyon 718

An undivided 49% operating rights interest in and to the Oil and Gas Lease No. OCS-G 7952, dated effective August 1, 1985, from the United States of America, as Lessor, to Shell Offshore, Inc., as Lessee, covering all of Block 718, Mississippi Canyon Area, OCS Official Protraction Diagram, NG 16-10, containing approximately 5,760 acres, more or less INSOFAR AND ONLY INSOFAR as lease covers the North 3/4 of Block 718, Mississippi Canyon Area, from the surface of the earth down to 500 feet below the total vertical depth (TVD) of the OCS-G 7952 (MC 718) No. 1 Well, said TVD being 22,500 feet and the stratigraphic equivalent of such depth.

Working Interest: 49%
Net Revenue Interest: 37.8745%

West Cameron 638

An undivided 26.6667% record title interest in and to the Oil and Gas Lease No. OCS-G 15124, dated effective September 1, 1995, from the United States of America, as Lessor, to Kerr-McGee Corporation, as Lessee, covering all of Block 638, West Cameron Area, South Addition, OCS Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres, more or less.

Working Interest: 26.6667%
Net Revenue Interest: 22.2222%

An undivided 26.6667% operating rights interest in and to the Oil and Gas Lease No. OCS-G 15124, dated effective September 1, 1995, from the United States of America, as Lessor, to Kerr-McGee Corporation, as Lessee, covering all of Block 638, West Cameron Area, South Addition, OCS Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers depths from the surface of the earth to 100' below the stratigraphic equivalent of the deepest depth drilled and logged being 13,340' TVD in the Chevron USA Well No. 1.

Working Interest: 26.6667%
Net Revenue Interest: 22.2222%

West Cameron 639

An undivided 13.34% record title interest in and to the Oil and Gas Lease No. OCS-G 2027, dated effective February 1, 1971, from the United States of America, as Lessor, to Sun Oil Company, as Lessee, covering all of Block 639, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres, more or less.

Working Interest: 13.34%
Net Revenue Interest: 11.11667%

An undivided 15.24571% operating rights interest in and to the Oil and Gas Lease No. OCS-G 2027, dated effective February 1, 1971, from the United States of America, as Lessor, to Sun Oil Company, as Lessee, covering all of Block 639, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers depths from the surface of the earth down to and including 10,000' subsea.

Working Interest: 15.2457%
Net Revenue Interest: 12.7048%

West Cameron 648

An undivided 38.34% record title interest in and to the Oil and Gas Lease No. OCS-G 4268, dated effective December 1, 1979, from the United States of America, as Lessor, to Sun Oil Company (Delaware) and Diamond Shamrock Corporation, as Lessees, covering all of Block 648, West Cameron Area, South Addition, OCS Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres, more or less.

Working Interest: 38.34%
Net Revenue Interest: 31.95%

High Island A-365

An undivided 31.9149% record title interest in and to the Oil and Gas Lease No. OCS-G 2750, dated effective July 1, 1974, from the United States of America, as Lessor, to Sun Oil Company (Delaware), as Lessee, covering all of Block A-365, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C, containing approximately 5,760 acres, more or less.

Working Interest: 31.9149%
Net Revenue Interest: 26.19007%

High Island A-376

An undivided 27.92554% record title interest in and to the Oil and Gas Lease No. OCS-G 2754, dated effective July 1, 1974, from the United States of America, as Lessor, to Texaco, Inc. and Columbia Gas Development Corporation, as Lessees, covering all of Block A-376, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C, containing approximately 5,760 acres, more or less.

Working Interest: 27.92554%
Net Revenue Interest: 23.27128%

Vermilion 84

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS-G 3124, dated effective July 1, 1975, from the United States of America, as Lessor, to Union Oil Company of California, as Lessee, covering all of Block 84, Vermilion Area, OCS Official Leasing Map, Louisiana Map No. 3, containing approximately 5,000 acres, more or less.

Working Interest: 50%
Net Revenue Interest: 39.9317%

West Cameron 142

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS-G 13560, dated effective July 1, 1992, from the United States of America, as Lessor, to Diamond Shamrock Offshore Partners Limited Partnership, as Lessee, covering all of Block 142, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1, containing approximately 5,000 acres, more or less.

Working Interest: 100%
Net Revenue Interest: 83.3333%

West Cameron 178

An undivided 41.50639% operating rights interest in and to the Oil and Gas Lease No. OCS-G 5286, dated effective July 1, 1983, from the United States of America, as Lessor, to Exxon Corporation and Sohio Petroleum Company, as Lessees, covering all of Block 178, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1, containing approximately 5,000 acres, more or less INSOFAR AND ONLY INSOFAR as operating rights cover the SE/4 SE/4 NW/4 of Block 178, from the surface of the earth down to the stratigraphic equivalent of the base of the OC Sand as recognized in the OCS-G 5286 Well No. 1 at a measured depth of 11,312 feet (11,225' subsea)

Working Interest: 41.5064%
Net Revenue Interest: 29.40036%

An undivided 71.15385% operating rights interest in and to the Oil and Gas Lease No. OCS-G 5286, dated effective July 1, 1983, from the United States of America, as Lessor, to Exxon Corporation and Sohio Petroleum Company, as Lessees, covering all of Block 178, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1, containing approximately 5,000 acres, more or less INSOFAR AND ONLY INSOFAR as operating rights cover the E/2; SW/4; W/2 NW/4; NE/4 NW/4; N/2 SE/4 NW/4 of Block 178, from the surface of the earth down to the stratigraphic equivalent of the base of the OC Sand as recognized in the OCS-G 5286 Well No. 1 at a measured depth of 11,312 feet (11,225' subsea).

Working Interest: 71.15385%
Net Revenue Interest: 50.40064%

Galveston 303

An undivided 75% record title interest in and to the Oil and Gas Lease No. OCS-G 4565, dated effective January 1, 1981, from the United States of America, as Lessor, to Houston Oil & Minerals Corporation, as Lessee,

covering all of Block 303, Galveston Area, East Addition, OCS Leasing Map, Texas Map No. 6, containing approximately 5,760 acres, more or less.

Working Interest: 75%
Net Revenue Interest: 51%

South Timbalier 149

An undivided 50% record title interest in and to the Oil and Gas Lease No. OCS-G 5606, dated effective July 1, 1983, from the United States of America, as Lessor, to Amoco Production Company, as Lessee, covering all of Block 149, South Timbalier Area, OCS Leasing Map, Louisiana Map No. 6, containing approximately 5,000 acres, more or less.

Working Interest: 50%
Net Revenue Interest: 37.5%

Vermilion 78

An undivided 25% record title interest in and to the Oil and Gas Lease No. OCS-G 4421, dated effective November 1, 1980, from the United States of America, as Lessor, to CNG Producing Company, Anadarko Production Company and Hunt Oil Company, as Lessees, covering all of Block 78, Vermilion Area, OCS Leasing Map, Louisiana Map No. 3, containing approximately 5,000 acres, more or less.

Working Interest: 25%
Net Revenue Interest: 20.8333%

Vermilion 119

An undivided 50% record title interest in and to the Oil and Gas Lease No. OCS- 0487, dated effective February 1, 1955, from the United States of America, as Lessor, to Continental Oil Co., The Atlantic Refining Co., Tide Water Associated Oil Co. and Cities Production Corporation, as Lessees, covering all of Block 119, Vermilion Area, Official Leasing Map, La. Map No. 3, Outer Continental Shelf Leasing Map, Louisiana Offshore Operations, containing approximately 5,000 acres, more or less.

Working Interest: 50%
Net Revenue Interest: 41.6667%

Vermilion 124

An undivided 50% record title interest in and to the Oil and Gas Lease No. OCS- 0495, dated effective February 1, 1955, from the United States of America, as Lessor, to Continental Oil Co., The Atlantic Refining Co., Tide Water Associated Oil Co. and Cities Production Corporation, as Lessees, covering all of Block 124, Vermilion Area, Official Leasing Map, La. Map No. 3, Outer Continental Shelf Leasing Map, Louisiana Offshore Operations, containing approximately 5,000 acres, more or less.

Working Interest: 50%
Net Revenue Interest: 41.6667%

West Delta 65

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS-G 15363, dated effective August 1, 1995, from the United States of America, as Lessor, to Meridian Oil Offshore, Inc., as Lessee, covering all of Block 65, West Delta Area, OCS Leasing Map, Louisiana Map No. 8, containing approximately 5,000 acres, more or less.

Working Interest: 100%
Net Revenue Interest: 77.0833%

West Delta 72

An undivided 100% operating rights interest in and to the Oil and Gas Lease No. OCS-G 1082, dated effective June 1, 1962, from the United States of America, as Lessor, to Humble Oil & Refining Company, as Lessee, covering all of Block 72, West Delta Area, Official Leasing Map La. No. 8, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as it pertains to the North One-Half of the Northeast One-Quarter (N/2NE/4) from the surface down to and including the stratigraphic equivalent of 100 feet beneath the total depth of 3,105 feet TVD drilled in the Burlington Resources Offshore, Inc. OCS-G 15363 #1 Well located in the West Delta Block 65.

Working Interest: 100%
Net Revenue Interest: 83.3333%

II. Property Descriptions for Properties to be mortgaged by Offshore Energy II LLC:

East Cameron 321

An undivided 25% record title interest in and to the Oil and Gas Lease No. OCS-G 2061, dated effective February 1, 1971, from the United States of America, as Lessor, to Marathon Oil Company, as Lessee, covering all of Block 321, East Cameron Area, South Addition, Official Leasing Map No. 2A, containing approximately 5,000 acres, more or less.

Working Interest: 25%
Net Revenue Interest: 20.83333%

Eugene Island 217

An undivided 16.31945% record title interest in and to the Oil and Gas Lease No. OCS-G 0978, dated effective May 1, 1962, from the United States of America, as Lessor, to Continental Oil Company, Cities Service Production Company, The Atlantic Refining Company and Tidewater Oil Company, as Lessees, covering all of Block 217, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less.

Working Interest: 16.31945%
Net Revenue Interest: 11.5161167%

An undivided 65.27778% operating rights interest in and to the Oil and Gas Lease No. OCS-G 0978, dated effective May 1, 1962, from the United States of America, as Lessor, to Continental Oil Company, Cities Service Production Company, The Atlantic Refining Company and Tidewater Oil Company, as Lessees, INSOFAR AND ONLY INSOFAR as it pertains to the N/2 NW/4, SE/4 NW/4, S/2 SW/4 NW/4, N/2 SW/4,W/2 NE/4, NW/4 SE/4 of Block 217, Eugene Island Area, from the surface down to the stratigraphic equivalent of 13,097 feet true vertical depth being 100 feet below the base of the "MI" sand identified at 12,997 feet true vertical depth as referenced in the original DIL log of Sandefer Offshore Operating Co.'s OCS-G 0978 Well No. 4.

Operating Rights Interest: 65.27778%
Net Revenue Interest: 47.87037%

An undivided 74.22681% operating rights interest in and to the Oil and Gas Lease No. OCS-G 0978, dated effective May 1, 1962, from the United States of America, as Lessor, to Continental Oil Company, Cities Service Production Company, The Atlantic Refining Company and Tidewater Oil Company, as Lessees, INSOFAR AND ONLY INSOFAR as it pertains to the S/2 SW/4, E/2 NE/4, E/2 SE/4, and SW/4 SE/4 of Block 217, Eugene Island Area, from the surface down to the stratigraphic equivalent of 13,097 feet true vertical depth being 100 feet below the base of the "MI" sand identified at 12,997 feet true vertical depth as referenced in the original DIL log of Sandefer Offshore Operating Co.'s OCS-G 0978 Well No. 4.

Operating Rights Interest: 74.2268%
Net Revenue Interest: 54.5656226%

An undivided 65.27778% operating rights interest in and to the Oil and Gas Lease No. OCS-G 0978, dated effective May 1, 1962, from the United States of America, as Lessor, to Continental Oil Company, Cities Service Production Company, The Atlantic Refining Company and Tidewater Oil Company, as Lessees, INSOFAR AND ONLY INSOFAR as it pertains to all of Block 217, Eugene Island Area, from and including the stratigraphic equivalent of 13,097 feet true vertical depth as seen in the Sandefer Offshore Operating Co.'s OCS-G 0978 Well No. 4 down to the stratigraphic equivalent of 15,189 feet true vertical depth, being 100 feet below the total depth drilled in the NERCO Oil and Gas, Inc. OCS-G 0978 Well No.4.

Operating Rights Interest: 65.27778%
Net Revenue Interest: 48.9583%

Eugene Island 218

An undivided 16.31945% record title interest in and to the Oil and Gas Lease No. OCS-0807, dated effective May 1, 1960, from the United States of America, as Lessor, to Continental Oil Company, as Lessee, covering all of Block 218, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations,

containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NE/4 of Block 218, Eugene Island Area.

Working Interest: 16.31945%
Net Revenue Interest: 11.5161167%

An undivided 65.27778% operating rights interest in and to the Oil and Gas Lease No. OCS-0807, dated effective May 1, 1960, from the United States of America, as Lessor, to Continental Oil Company, as Lessee, covering all of Block 218, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NE/4 of Block 218, Eugene Island Area, from the surface down to the stratigraphic equivalent of 13,097' true vertical depth, being 100' below the base of the "MI" sand identified at 12,997' true vertical depth as referenced in the original DIL log of Sandefer Offshore Operating Co.'s OCS-G 0978 Well No. 4.

Working Interest: 65.27778%
Net Revenue Interest: 47.87037%

An undivided 65.27778% operating rights interest in and to the Oil and Gas Lease No. OCS-0807, dated effective May 1, 1960, from the United States of America, as Lessor, to Continental Oil Company, as Lessee, covering all of Block 218, Eugene Island Area, Official Leasing Map La. No. 4, OCS Leasing Map, Louisiana offshore operations, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NE/4 of Block 218, Eugene Island Area, from and including the stratigraphic equivalent of 13,097' true vertical depth, as seen in the Sandifer Offshore Operating Co.'s OCS-G 0978 Well No. 4 down to the stratigraphic equivalent of 15,189' true vertical depth, being 100' below the total depth drilled in the NERCO Oil & Gas, Inc. OCS-G 0978 No. 4 Well.

Working Interest: 65.27778%
Net Revenue Interest: 48.9583%

Garden Banks 235

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS-G 7454, dated effective October 1, 1984, from the United States of America, as Lessor, to Union Texas Petroleum Corporation, as Lessee, covering all of Block 235, Garden Banks Area, OCS Official Protraction Diagram, NG 15-2, containing approximately 5,760 acres, more or less.

Working Interest: 100%
Net Revenue Interest: 83.3333%

High Island 38

An undivided 60% record title interest in and to the Oil and Gas Lease No. OCS-G 14878, dated effective December 1, 1994, from the United States of America, as Lessor, to The Louisiana land and Exploration Company and Nippon Oil Exploration U.S.A. Limited, as Lessees, covering all of Block 38, High Island Area, East Addition, OCS Leasing Map, Texas Map No. 7A, containing approximately 5,760 acres, more or less.

Working Interest: 60%
Net Revenue Interest: 50%

South Pass 86

An undivided 25% record title interest in and to the Oil and Gas Lease No. OCS-G 5687, dated effective July 1, 1983, from the United States of America, as Lessor, to Marathon Oil Company, Amerada Hess Corporation, The Louisiana Land and Exploration Company and OKC Limited Partnership, as Lessees, covering all of Block 86, South Pass Area, South and East Addition, OCS Leasing Map, Louisiana Map No. 9A, containing approximately 5,000 acres, more or less

Working Interest: 25%
Net Revenue Interest: 20.8333%

South Timbalier 148 (E/2)

An undivided 40.35% record title interest in and to the Oil and Gas Lease No. OCS-G 1960, dated effective February 1, 1970, from the United States of America, as Lessor, to Chevron Oil Company, as Lessee, covering the East 1/2 of Block 148, South Timbalier Area, Official Leasing Map La. Map No. 6, containing approximately 2,500 acres, more or less.

Working Interest: 40.350%
Net Revenue Interest: 33.625%

An undivided 40.35% operating rights interest in and to the Oil and Gas Lease No. OCS-G 1960, dated effective February 1, 1970, from the United States of America, as Lessor, to Chevron Oil Company, as Lessee, covering the East 1/2 of Block 148, South Timbalier Area, Official Leasing Map La. Map No. 6, containing approximately 2,500 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the W/2 SE/4; NW/4 SE/4 SE/4; S/2 SE/4 SE/4; and SW/4 NE/4 SE/4 Block 148, South Timbalier Area, from the surface to 25,000 feet subsurface.

Working Interest: 40.350%
Net Revenue Interest: 33.625%

South Timbalier 184

An undivided 52.54443% record title interest in and to the Oil and Gas Lease No. OCS-G 1568, dated effective July 1, 1967, from the United States of America, as Lessor, to Cities Service Oil Company, Atlantic Richfield Company and Continental Oil Company, as Lessees, covering all of Block 184, South Timbalier Area, Official Leasing Map La. Map No. 6, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NW/4 Block 148 South Timbalier Area.

Working Interest: 52.54443%
Net Revenue Interest: 39.40832%

An undivided 50% record title interest in and to the Oil and Gas Lease No. OCS-G 1568, dated effective July 1, 1967, from the United States of America, as Lessor, to Cities Service Oil Company, Atlantic Richfield Company and Continental Oil Company, as Lessees, covering all of Block 184, South Timbalier Area, Official Leasing Map La. Map No. 6, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NE/4 and S/2 Block 184, South Timbalier Area.

Working Interest: 500%
Net Revenue Interest: 37.5%

An undivided 52.54443% operating rights interest in and to the Oil and Gas Lease No. OCS-G 1568, dated effective July 1, 1967, from the United States of America, as Lessor, to Cities Service Oil Company, Atlantic Richfield Company and Continental Oil Company, as Lessees, covering all of Block 184, South Timbalier Area, Official Leasing Map La. Map No. 6, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NW/4 Block 184 South Timbalier Area, covering those depths below 13,600' true vertical depth.

Working Interest: 52.54443%
Net Revenue Interest: 39.40832%

South Timbalier 185

An undivided 48.71003% record title interest in and to the Oil and Gas Lease No. OCS-G 1569, dated effective July 1, 1967, from the United States of America, as Lessor, to Sinclair Oil & Gas Company and Skelly Oil Company, as Lessees, covering all of Block 185, South Timbalier Area, Official Leasing Map La. Map No. 6, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NE/4 Block 185 South Timbalier Area.

Working Interest: 48.71003%
Net Revenue Interest: 40.60855%

An undivided 29.31372% record title interest in and to the Oil and Gas Lease No. OCS-G 1569, dated effective July 1, 1967, from the United States of America, as Lessor, to

Sinclair Oil & Gas Company and Skelly Oil Company, as Lessees, covering all of Block 185, South Timbalier Area, Official Leasing Map La. Map No. 6, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NW/4; S/2 Block 185 South Timbalier Area.

Working Interest: 29.31372%
Net Revenue Interest: 25.40520%

An undivided 48.71003% operating rights interest in and to the Oil and Gas Lease No. OCS-G 1569, dated effective July 1, 1967, from the United States of America, as Lessor, to Sinclair Oil & Gas Company and Skelly Oil

Company, as Lessees, covering all of Block 185, South Timbalier Area, Official Leasing Map La. Map No. 6, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NE/4 Block 185 South Timbalier Area as to those depths below 13,600 feet true vertical depth.

Working Interest: 48.71003%
Net Revenue Interest: 40.60854%

An undivided 29.31372% operating rights interest in and to the Oil and Gas Lease No. OCS-G 1569, dated effective July 1, 1967, from the United States of America, as Lessor, to Sinclair Oil & Gas Company and Skelly Oil Company, as Lessees, covering all of Block 185, South Timbalier Area, Official Leasing Map La. Map No. 6, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the NW/4; S/2 Block 185 South Timbalier Area as to those depths below 13,600 feet true vertical depth.

Working Interest: 29.31372%
Net Revenue Interest: 25.40520%

South Timbalier 190

An undivided 43.35% record title interest in and to the Oil and Gas Lease No. OCS-G 1261, dated effective June 1, 1962, from the United States of America, as Lessor, to California Oil Company, as Lessee, covering all of Block 190, South Timbalier Area, Official Leasing Map La. Map No. 6, Outer Continental Shelf Leasing Map, Louisiana Offshore Operations, containing approximately 5,000 acres, more or less.

Working Interest: 43.35%
Net Revenue Interest: 36.125%

An undivided 43.35% operating rights interest in and to the Oil and Gas Lease No. OCS-G 1261, dated effective June 1, 1962, from the United States of America, as Lessor, to California Oil Company, as Lessee, covering all of Block 190, South Timbalier Area, Official Leasing Map La. Map No. 6, Outer Continental Shelf Leasing Map, Louisiana Offshore Operations, containing approximately 5,000 acres, more or less, INSOFAR

AND ONLY INSOFAR as lease covers the S/2 SE/4 from surface of the earth down to 25,000 feet subsurface.

Working Interest: 43.35%
Net Revenue Interest: 36.125%

South Timbalier 203

An undivided 35.475% record title interest in and to the Oil and Gas Lease No. OCS-G 1269, dated effective June 1, 1962, from the United States of America, as Lessor, to California Oil Company, as Lessee, covering all of Block 203, South Timbalier Area, Official Leasing Map La. Map No. 6, Outer Continental Shelf Leasing Map, Louisiana Offshore Operations, containing approximately 5,000 acres, more or less.

Working Interest: 35.4750%
Net Revenue Interest: 27.6125%

An undivided 43.35% operating rights interest in and to the Oil and Gas Lease No. OCS-G 1269, dated effective June 1, 1962, from the United States of America, as Lessor, to California Oil Company, as Lessee, covering all of Block 190, South Timbalier Area, Official Leasing Map La. Map No. 6, Outer Continental Shelf Leasing Map, Louisiana Offshore Operations, containing approximately 5,000 acres, more or less, INSOFAR AND ONLY INSOFAR as lease covers the N/2 NE/4 NE/4 Block 203, South Timbalier Area, from the top of the 7,100' Sand to the base of the 8,600' Sand appearing between Induction Electric Log measured depths of 7,490' and 8,933' in the Chevron Oil Company OCS-G 1261 Well No. 2 located on Block 190, South Timbalier Area.

Working Interest: 43.350%
Net Revenue Interest: 36.125%

Green Canyon 89

An undivided 17% record title interest in and to the Oil and Gas Lease No. OCS-G 15540, dated effective July 1, 1995, from the United States of America, as Lessor, to Shell Offshore Inc, as Lessee, covering all of Block 89, Green Canyon Area, OCS Official Protraction Diagram, NG 15-3, containing approximately 5,760 acres, more or less.

Working Interest: 17%

Net Revenue Interest: 14.167%

High Island A-568

An undivided 16.6666% record title interest in and to the Oil and Gas Lease No. OCS-G 2716, dated effective July 1, 1974, from the United States of America, as Lessor, to

Marathon Oil Company, The Louisiana Land and Exploration Company, Louisiana Land Offshore Exploration Company, Inc., Amerada Hess Corporation and Texas Eastern Exploration Co., as Lessees, covering all of Block A-568, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B, containing approximately 5,760 acres, more or less.

Working Interest: 16.6666%
Net Revenue Interest: 13.8889%

South Marsh Island 28 and 29

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS-G 9536, dated effective June 1, 1988, from the United States of America, as Lessor, to Union Texas Petroleum Corporation, as Lessee, covering all of Block 28, South Marsh Island Area, OCS Leasing Map, Louisiana Map No. 3A, containing approximately 5,251.85 acres, more or less.

Working Interest: 100%*
Net Revenue Interest: 82.58333%

*Subject to that certain Joint Development Agreement dated July 15, 1997 between The Louisiana Land and Exploration Company and Taylor Energy covering certain reservoirs in the S/2 S/2 Block 28, South Marsh Island and the N/2 N/2 Block 29, South Marsh Island. Said agreement provides for 65% working interest and 53.4167% net revenue interest in the S/2 S/2 Block 28 and the N/2 N/2 Block 29 South Marsh Island Area.

Vermilion 404

An undivided 50% record title interest in and to the Oil and Gas Lease No. OCS-G 8678, dated effective July 1, 1987, from the United States of America, as Lessor, to Agip Petroleum Co., Inc. (25%), MOBIL OIL EXPLORATION & PRODUCING SOUTHEAST INC. ("MOEPSI") (50%) and Union Texas Petroleum Corporation (25%), as Lessees, covering all of Block 404, Vermilion Area, South Addition, OCS Leasing Map, Louisiana Map No. 3B, containing approximately 5,000 acres, more or less.

Working Interest: 50%
Net Revenue Interest: 39.1667%

Vermilion 412

An undivided 50% record title interest in and to the Oil and Gas Lease No. OCS-G 6685, dated effective June 1, 1984, from the United States of America, as Lessor, to Agip Petroleum Co., Inc., MOBIL OIL EXPLORATION & PRODUCING SOUTHEAST INC. ("MOEPSI") and Union Texas Petroleum Corporation, as Lessees, covering all of

Block 412, Vermilion Area, South Addition, OCS Leasing Map, Louisiana Map No. 3B, containing approximately 5,000 acres, more or less.

Working Interest: 50%
Net Revenue Interest: 39.1667%

West Cameron 606

An undivided 70.96774% record title interest in and to the Oil and Gas Lease No. OCS-G 2232, dated effective February 1, 1973, from the United States of America, as Lessor, to Signal Oil and Gas Company, Louisiana Land Offshore Exploration Company, Inc., Amerada Hess Corporation, Marathon Oil Company and Texas Eastern Exploration Co, as Lessees, covering all of Block 606, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres, more or less.

Working Interest: 70.9677%
Net Revenue Interest: 59.1398%

West Cameron 620

An undivided 66.67% record title interest in and to the Oil and Gas Lease

No. OCS-G 2234, dated effective February 1, 1973, from the United States of America, as Lessor, to Louisiana Land Offshore Exploration Company, Inc., Marathon Oil Company and Texas Eastern Exploration Co., as Lessees, covering all of Block 620, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres, more or less.

Working Interest: 66.6700%
Net Revenue Interest: 55.5583%

West Cameron 661

An undivided 100% record title interest in and to the Oil and Gas Lease No. OCS-G 16224, dated effective August 1, 1962, from the United States of America, as Lessor, to The Louisiana Land and Exploration Company, as Lessee, covering all of Block 661, West Cameron Area, South Addition, OCS Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres, more or less.

Working Interest: 100%*
Net Revenue Interest: 83.3333%

*Subject to that certain Farmout Agreement dated April 30, 2001, between The Louisiana Land and Exploration Company and Tarpon Operating and Devlopment, L.L.C., covering all of the OCS-G 16224 lease from the surface to 9,500'.

Working Interest: -0-%
Net Revenue Interest: 8.333% BPO

III. Property Descriptions for Properties to be mortgaged by Offshore Energy III LLC:

High Island A-568

An undivided 16.6666% record title interest in and to the Oil and Gas Lease No. OCS-G 2716, dated effective July 1, 1974, from the United States of America, as Lessor, to Marathon Oil Company, The Louisiana Land and Exploration Company, Louisiana Land Offshore Exploration Company, Inc., Amerada Hess Corporation and Texas Eastern Exploration Co., as Lessees, covering all of Block A-568, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B, containing approximately 5,760 acres, more or less.

Working Interest: 16.6666%
Net Revenue Interest: 13.8889%

EXHIBIT "B"
Property Descriptions for Borrower Supplemental Real Property

1. West Cameron 610

An undivided 50.00% record title interest in and to the (1) Oil and Gas Lease No. OCS-G 16216, dated effective July 1, 1996, from the United States of America, as Lessor, to Chieftain International (U.S.) Inc., Cairn Energy USA, Inc. and Enserch Exploration, Inc., as Lessees, covering all of Block 610, West Cameron Area, South Addition, OCS Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres, more or less; and (2) Right of Use and Easement No. OCS-G 23558 for the purposes of producing wells and processing production from the West Cameron Block 610 Lease No. OCS-G 16216, being the West Cameron 616 "A" Platform, MMS Platform ID No. 265-1 and located approximately 4,555' FNL and 1,402' FWL of West Cameron Block 616, Offshore, Louisiana.

Working Interest: 50.0000%
Net Revenue Interest: 40.7290%

2. Eugene Island 397 Unit

An undivided 50.00% record title interest in and to the Oil and Gas Lease No. OCS-G 15271, dated effective September 1, 1995, from the United States of America, as Lessor, to Cairn Energy USA, Inc. and Enserch Exploration, Inc., as Lessees, covering all of Block 397, Eugene Island Area, South Addition, OCS Leasing Map, Louisiana Map No. 4A, containing approximately 5,000 acres, more or less;

An undivided 50.00% record title interest in and to the Oil and Gas Lease No. OCS-G 16673, dated effective September 1, 1996, from the United States of America, as Lessor, to Chieftain International (U.S.) Inc., Cairn Energy

USA, Inc. and Enserch Exploration, Inc., as Lessees, covering all of Block 4, Green Canyon Area, OCS Official Protraction Diagram, NG 15-3, containing approximately 717.22 acres, more or less;

An undivided 50.00% record title interest in and to the Oil and Gas Lease No. OCS-G 16680, dated effective June 1, 1996, from the United States of America, as Lessor, to Chieftain International (U.S.) Inc., Cairn Energy USA, Inc. and Enserch Exploration, Inc., as Lessees, covering all of Block 48, Green Canyon Area, OCS Official Protraction Diagram, NG 15-3, containing approximately 5,760.00 acres, more or less.

Working Interest: 50.0000%
Net Revenue Interest: 41.1667%

3. Ship Shoal 177

An undivided 50.00% record title interest in and to the Oil and Gas Lease No. OCS 0590, dated effective September 1, 1955, from the United States of America, as Lessor, to The Texas Co. and Stanolind Oil and Gas Co., as Lessees, covering all of Block 177, Ship Shoal Area, as shown on Official Leasing Map, Louisiana Map No. 5, Outer Continental Shelf Leasing Map (Louisiana Offshore Operations), containing approximately 5,000 acres, more or less.

Working Interest: 50.0000%
Net Revenue Interest: 41.6667%

EXHIBIT 10.5

FOURTH AMENDMENT TO AMENDED AND RESTATED
CREDIT AGREEMENT (REVOLVING CREDIT AGREEMENT)

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (REVOLVING CREDIT AGREEMENT) (herein called this "Amendment"), dated effective as of May 22, 2003, is entered into by and among W&T OFFSHORE, INC., a Nevada corporation, as the borrower (the "Borrower"), the various financial institutions parties hereto, as lenders (collectively, the "Lenders"), THE TORONTO-DOMINION BANK, as issuer of Letters of Credit (in such capacity together with any successors thereto, the "Issuer"), and TORONTO DOMINION (TEXAS), INC., individually and as agent (in such capacity together with any successors thereto, the "Agent") for the Lenders. Terms defined in the Revolving Credit Agreement (as hereinafter defined) are used herein with the same meanings as given them therein, unless the context otherwise requires.

W I T N E S S E T H

WHEREAS, the Borrower, the Lenders (or their predecessors-in-interest) and the Agent have heretofore entered into that certain Amended and Restated Credit Agreement, dated as of February 24, 2000, as amended pursuant to that certain First Amendment to Amended and Restated Credit Agreement dated as of December 5, 2000, among the Borrower, the Lenders, the Issuer and the Agent, as further amended pursuant to that certain Second Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of May 31, 2002, as further amended pursuant to that certain Third Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of December 2, 2002, among the Borrower, the Lenders, the Issuer and the Agent (as so amended, and as from time to time amended, supplemented, restated or otherwise modified, including pursuant to this Amendment, the "Revolving Credit Agreement"), pursuant to which the Lenders and Issuer have agreed to make Loans to the Borrower or issue or participate in Letters of Credit on behalf of the Borrower; and

WHEREAS, the Borrower, the Lenders, the Issuer and the Agent intend to amend the Revolving Credit Agreement to provide for, among other things, an adjustment to the current Borrowing Base, an increase in the availability of Letters of Credit, an amendment to the calculation of commitment fees, and a consent to the making of an additional dividend by the Borrower to its shareholders, all as hereinafter provided;

WHEREAS, subject to the terms and conditions of this Amendment, the parties hereto are willing to enter into this Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrower, the Lenders, the Issuer and the Agent hereby agree as follows:

1. Amendments to Revolving Credit Agreement. The Revolving Credit Agreement is amended as follows:

(a) Amendment of Section 1.1.

(i) The definition of "Commitment Fee Rate" in Section 1.1 of the Revolving Credit Agreement is amended hereby in its entirety to read as follows:

"Commitment Fee Rate" means, on each day:

(a) three-eighths of one percent (0.375%) per annum when the Facility Usage on such day is less than ninety percent (90%) of the Borrowing Base on such day, and

(b) one-half of one percent (0.50%) per annum when the Facility Usage on such day is greater than or equal to ninety percent (90%) of the Borrowing Base on such day.

(ii) The definition of "Issuer" in Section 1.1 of the Revolving Credit Agreement is hereby amended in its entirety to read as follows:

"Issuer" means The Toronto-Dominion Bank, Bank One, NA (Main Office - Chicago) or Fortis Capital Corp., or any other Lender which has agreed to issue one or more Letters of Credit at the request of the Agent (which shall, at the Borrower's request, notify the Borrower from time to time of the identity of such other Lender); provided that no Issuer without its consent shall be required to have outstanding at any time Letters of Credit issued by such Issuer having a face amount of more than $30,000,000 in the aggregate.

(iii) The definitions of "Adjusted Net Income After Permitted Tax Distributions" and "Permitted Tax Distributions" in Section 1.1 of the Revolving Credit Agreement are hereby deleted in their entirety.

(b) Amendment of Section 2.1(b)(iii). Clause (b)(iii) of Section 2.1 of the Revolving Credit Agreement is amended hereby in its entirety to read as follows:

"(iii) all Letter of Credit Outstandings would exceed $90,000,000."

(c) Amendment of Section 2.5(a). Section 2.5(a) of the Revolving Credit Agreement is amended hereby in its entirety to read as follows:

"(a) Commitment Fees. In consideration of each Lender's commitment to make Loans, Borrower will pay to Agent for the account of each Lender a commitment fee determined on a daily basis by applying the Commitment Fee Rate to such Lender's Percentage Share of the unused portion of the Borrowing Base on each day during the Commitment Period, determined for each such day by deducting from the amount of the Borrowing Base at the end of such day the Facility Usage. This commitment fee will be due and payable in arrears on each ABR Payment Date and at the end of the Commitment Period."

(d) Amendment of Section 2.5(d). Section 2.5(d) of the Revolving Credit Agreement is amended by replacing the reference to "0.0625%" with a reference to "0.125%".

(e) Amendment of Section 2.11(a)(i)(2). Clause (a)(i)(2) of Section 2.11 of the Revolving Credit Agreement is amended hereby in its entirety to read as follows:

"(3) together with all Letter of Credit Outstandings would not exceed $90,000,000;"

(f) Amendment of Section 7.6. Section 7.6 of the Credit Agreement is hereby amended in its entirety as follows:

"Section 7.6 Limitation on Distributions; Redemptions and Prepayments of Indebtedness. No Restricted Person will make any Distribution, except as expressly provided in this section, and no Restricted Person will redeem, purchase, prepay or defease any Indebtedness, other than the Obligations, prior to the original maturity thereof. Distributions may be made:

(i) by Borrower to any of its shareholders on any date in an amount not to exceed the Available Distribution Amount, or

(ii) by Subsidiaries of Borrower without limitation to Borrower; or

(iii) by Borrower to its shareholders, provided that (a) the amount of all Distributions pursuant to this Section 7.6(iii) during such year and any Equity Investments during such year do not, in the aggregate, exceed $10,000,000 per year, (b) such Distribution occurs within thirty (30) days of the receipt by Agent of updated monthly financial reports in form and substance satisfactory to Agent, in its sole discretion, accompanied by a certificate of an authorized officer of the Borrower certifying to the truth, correctness and completeness of such reports, (c) the ratio of (X) EBITDA to (Y) Consolidated Interest of Borrower for the Four Quarter Period then ended shall not be less than 8.0 to 1.0, and (d) after giving effect to such Distribution, the Facility Usage on such date is less than seventy-five percent (75%) of the Borrowing Base on such date;

provided, that the computation of the amount of any such Distribution described in clauses (i), (ii) and (iii) above shall have been proven by Borrower to the reasonable satisfaction of Agent, and, provided further that no such Distribution described in clauses (i), (ii) and (iii) above shall be permitted if (a) an Event of Default has occurred and is continuing, (b) an Event of Default would occur as a result of such Distribution, or (c) a Borrowing Base Deficiency exists."

(g) Amendment of Section 7.7. The last sentence of Section 7.7 of the Credit Agreement is hereby amended by inserting the word "and" in front of clause (d) and by deleting clause (e) thereof:

(h) Redetermination of the Borrowing Base. As of the Effective Date, the parties hereto agree that the Borrowing Base shall be $170,000,000 until such time as the Borrowing Base is redetermined in accordance with the Credit Agreement.

2. Representations and Warranties. To induce each Lender Party to enter into this Amendment, the Borrower hereby reaffirms, as of the date hereof, its representations and warranties contained in the Revolving Credit Agreement (except to the extent such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true, correct and complete as of such earlier date) and additionally represents and

warrants as follows:

(a) Due Incorporation, Etc. The Borrower (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, (ii) has all requisite corporate power and authority to own its assets and to carry on its business as now conducted and proposed to be conducted, (iii) is duly qualified to do business and is in good standing in all other jurisdictions where the nature of its business requires it to be so qualified and where the failure to so qualify would materially and adversely affect the business, assets, properties or condition (financial and otherwise), of the Borrower.

(b) Non-Contravention. The execution, delivery and performance by the Borrower of this Amendment are within the Borrower's corporate powers, have been duly authorized by all necessary action of the Borrower, require, in respect of the Borrower, no action by or in respect of, or filing with, any governmental authority which has not been performed or obtained and do not contravene, or constitute a default under, any provision of Law or regulation (including, without limitation, Regulation X issued by the Board of Governors of the Federal Reserve System applicable to the Borrower or Regulation U issued by the Board of Governors of the Federal Reserve System) or the articles of incorporation or the bylaws of the Borrower or any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower except as contemplated by the Loan Documents.

(c) Legal, Valid and Binding. This Amendment is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

3. Effectiveness. This Amendment shall be effective as of May , 2003, following the satisfaction of the following conditions (the "Effective Date"):

(a) the Agent's receipt of this Amendment, duly executed by each of the parties hereto;

(b) payment of all expenses and fees, if any, then due and payable to the Agent and Lenders pursuant to the Loan Documents; and

(c) such other documents or agreements as the Agent may reasonably request prior to the Effective Date in connection with the execution of this Amendment.

4. Ratification of Amendment. This Amendment shall be deemed to be an amendment to the Revolving Credit Agreement, and the Revolving Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Revolving Credit Agreement in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Revolving Credit Agreement as amended hereby. This Amendment is a Loan Document.

5. Limited Consent to Additional Dividend in 2003. The Borrower represents and warrants that it has heretofore made a dividend in the amount of $10,000,000 during the 2003 fiscal year in compliance with the requirements of Section 7.6(iii) of the Credit Agreement. The Agent and Lenders hereby consent to the Borrower's making in the fiscal year 2003, an additional dividend to its shareholders in an amount not to exceed $2,000,000 in the aggregate for the purpose of reducing such shareholders' tax basis in the stock of the Borrower in connection with the Borrower's conversion from an S Corporation into a C Corporation; provided, however, that such additional dividend shall be subject to, and the Borrower shall satisfy and be in compliance with the requirements of, clauses (iii)(b), (iii)(c), (iii)(d) and (iii)(e) of Section 7.6 of the Credit Agreement and to the provisos at the end of such Section 7.6.

6. GOVERNING LAW. THIS AMENDMENT SHALL BE DEEMED A CONTRACT AND INSTRUMENT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES OF AMERICA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

7. Severability. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or affecting the validity or enforceability of such provision in any other jurisdiction.

8. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing one or more counterparts. Any signature hereto delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

9. Successors and Assigns. This Amendment shall be binding upon the

Borrower and its successors and permitted assigns and shall inure, together with all rights and remedies of each Lender Party hereunder, to the benefit of each Lender Party and the respective successors, transferees and assigns.

[Remainder of page intentionally blank]

EXHIBIT 10.5

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

BORROWER:

W&T OFFSHORE, INC.,
a Nevada corporation

By: /s/ W. Reid Lea

Name: W. Reid Lea
Title: Chief Financial Officer

AGENT:

TORONTO DOMINION (TEXAS), INC.,
as Agent

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

ISSUER:

THE TORONTO-DOMINION BANK,
as Issuer

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Manager Syndications & Credit Admin.

LENDERS:

TORONTO DOMINION (TEXAS), INC.,
as Lender

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

BANK ONE, NA (Main Office - Chicago),
as Lender

By: /s/ Thomas Okamoto

Name: Thomas E. Okamoto
Title: Associate Director

FORTIS CAPITAL CORP.,
as Lender

By: /s/ Christopher S. Parada

Name: Christopher S. Parada
Title: Vice President

By: /s/ Darrell W. Holley

Name: Darrell W. Holley
Title: Managing Director

BANK OF SCOTLAND, as Lender

By: /s/ Joseph Fratus

Name: Joseph Fratus
Title: First Vice President

BMO NESBITT BURNS FINANCING, INC.,
as Lender

By: /s/ James B. Whitmore

Name: James B. Whitmore
Title: Managing Director

NATEXIS BANQUES POPULAIRES,
as Lender

By: /s/ Donovan C. Broussard

Name: Donovan C. Broussard
Title: Vice President and Manager

By: /s/ Philippe Robin

Name: Philippe Robin
Title: Senior Vice President

ROYAL BANK OF CANADA,
as Lender

By: /s/ Lorne Gartner

Name: Lorne Gartner
Title: Vice President

EXHIBIT 10.6

FIFTH AMENDMENT TO AMENDED AND RESTATED
CREDIT AGREEMENT (REVOLVING CREDIT AGREEMENT)

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (REVOLVING CREDIT AGREEMENT) (herein called this "Amendment"), dated effective as of December 12, 2003, is entered into by and among W&T OFFSHORE, INC., a Nevada corporation, as the borrower (the "Borrower"), the various financial institutions parties hereto, as lenders (collectively, the "Lenders"), THE TORONTO-DOMINION BANK, as issuer of Letters of Credit (in such capacity together with any successors thereto, the "Issuer"), and TORONTO DOMINION (TEXAS), INC., individually and as agent (in such capacity together with any successors thereto, the "Agent") for the Lenders. Terms defined in the Revolving Credit Agreement (as hereinafter defined) are used herein with the same meanings as given them therein, unless the context otherwise requires.

W I T N E S S E T H

WHEREAS, the Borrower, the Lenders (or their predecessors-in-interest) and the Agent have heretofore entered into that certain Amended and Restated Credit Agreement, dated as of February 24, 2000, as amended pursuant to that certain First Amendment to Amended and Restated Credit Agreement dated as of December 5, 2000, among the Borrower, the Lenders, the Issuer and the Agent, as further amended pursuant to that certain Second Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of May 31, 2002, among the Borrower, the Lenders, the Issuer and the Agent, as further amended pursuant to that certain Third Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of December 2, 2002, among the Borrower, the Lenders, the Issuer and the Agent, as further amended pursuant to that certain Fourth Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of May 22, 2003, among the Borrower, the Lenders, the Issuer and the Agent (as so amended, and as from time to time amended, supplemented, restated or otherwise modified, including pursuant to this Amendment, the "Revolving Credit Agreement"), pursuant to which the Lenders and Issuer have agreed to make Loans to the Borrower or issue or participate in Letters of Credit on behalf of the Borrower;

WHEREAS, the Borrower, the Lenders, the Issuer and the Agent intend to amend the Revolving Credit Agreement to provide for, among other things, an extension to the Maturity Date and additional conditional amendments to the Revolving Credit Agreement for the purpose of increasing the commitments of the Lenders, all as hereinafter provided;

WHEREAS, the Borrower has requested that the Revolving Credit Agreement be amended to allow Washington Mutual Bank, FA ("WAMU") to become a "Lender" party to the Revolving Credit Agreement, as set forth herein; and

WHEREAS, subject to the terms and conditions of this Amendment, the parties hereto are willing to enter into this Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrower, the Lenders, the Issuer and the Agent hereby agree as follows:

1. Amendments to Section 1.1 of the Revolving Credit Agreement.

(a) The definition of "Maturity Date" in Section 1.1 of the Revolving Credit Agreement is amended hereby in its entirety to read as follows:

> ""Maturity Date" means January 2, 2006 or such later date as such Maturity Date is extended in accordance with Section 2.10."

(b) Section 1.1 of the Revolving Credit Agreement is hereby amended by adding the following definitions to such Section in appropriate alphabetical order::

> (i) ""ConocoPhillips Real Property" means the real property interests acquired by Gulf of Mexico OGP, as described in Exhibit B to the Fifth Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated as of December 12, 2003."
>
> (ii) ""Gulf of Mexico OGP" means Gulf of Mexico Oil and Gas Properties LLC, a Delaware limited liability company."
>
> (iii) ""W&T Energy IV" means W&T Energy IV, LLC, a Delaware limited liability company."

2. Amendments to Section 7.4 of the Revolving Credit Agreement. Section 7.4 of the Revolving Credit Agreement is amended hereby by adding the following at the end of the first sentence of such Section 7.4 before the period:

"; provided further, that the foregoing shall not prohibit the Borrower

from forming W&T Energy IV as a subsidiary, nor will it prohibit W&T Energy IV from merging with Gulf of Mexico OGP, with Gulf of Mexico OGP being the surviving entity, nor will it prohibit the Borrower from acquiring all of the membership interests in Gulf of Mexico OGP, in each case for the purpose of acquiring the ConocoPhillips Real Property so long as the Borrower and Gulf of Mexico OGP shall take the actions and deliver the documents described in Section 5 of the Fifth Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated as of December 12, 2003"

3. Amendments to Section 7.9 of the Revolving Credit Agreement. Section 7.9 of the Revolving Credit Agreement is amended hereby by adding the following at the end of the first sentence of such Section 7.9 before the period:

"; provided further, that the foregoing shall not prohibit the Borrower from forming W&T Energy IV as a subsidiary, nor will it prohibit W&T Energy IV from merging with Gulf of Mexico OGP, with Gulf of Mexico OGP being the surviving entity, nor will it prohibit the Borrower from acquiring all of the membership interests in Gulf of Mexico OGP, in each case for the purpose of acquiring the ConocoPhillips Real Property so long as the Borrower and Gulf of Mexico OGP shall take the actions and deliver the documents described in Section 5 of the Fifth Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated as of December 12, 2003"

4. Conditional Amendments to Revolving Credit Agreement. Upon the date that the conditions described in Section 5 below have been satisfied in accordance with the terms of such Section 5 (the "Condition Satisfaction Date"), the parties hereto agree as follows:

(a) Redetermination of the Borrowing Base. As of the Condition Satisfaction Date, the Borrowing Base shall be set at $230,000,000 until such time as the Borrowing Base is redetermined or reduced in accordance with the Revolving Credit Agreement.

(b) Commitment. As of the Condition Satisfaction Date, the definition of "Commitment" in Section 1.1 of the Revolving Credit Agreement shall be deemed amended and restated in its entirety to read as follows:

""Commitment" means $230,000,000."

(c) Facility Amount. As of the Condition Satisfaction Date, the definition of "Facility Amount" in Section 1.1 of the Revolving Credit Agreement shall be deemed amended and restated in its entirety to read as follows:

""Facility Amount" means $230,000,000."

(d) Schedule 3 (Lenders Schedule). As of the Condition Satisfaction Date, Schedule 3 to the Revolving Credit Agreement shall be deemed amended and restated in its entirety to read as set forth in Schedule 3 attached to this Amendment.

5. Conditions to Conditional Amendments. The effectiveness of Section 4 above is conditioned upon the satisfaction of the following conditions on terms and in a manner acceptable to the Agent by not later than December 31, 2003: (a) Gulf of Mexico Oil and Gas Properties LLC, a Delaware limited liability company (the "Acquiring Subsidiary") shall have acquired (in one or more transactions) all of the ConocoPhillips Real Property; (b) the Acquiring Subsidiary shall have executed and delivered to the Agent a guaranty of the Obligations as provided in Section 6.19 of the Revolving Credit Agreement; (c) the Agent shall have received documentation (including mortgages, supplemental mortgages, UCC-1s and legal opinions) in form, scope and substance satisfactory to Agent, granting to Agent for the benefit of the Lender Parties first perfected liens and security interests on the ConocoPhillips Real Property and related equipment, contracts and collateral; (d) the Borrower shall furnish or cause to be furnished to the Agent (i) title opinions in scope, form and substance satisfactory to the Agent regarding the ConocoPhillips Real Property, (ii) other documents and information relating to the ConocoPhillips Real Property and the Acquiring Subsidiary, as the Agent may reasonably request, including evidence of formation or acquisition of the Acquiring Subsidiary by the Borrower, (iii) copies, certified true and correct by an authorized officer of the Borrower, of the assignment documents evidencing the assignment of the ConocoPhillips Real Property to the Borrower or the Acquiring Subsidiary, (iv) an omnibus certificate for the Acquiring Subsidiary, attaching appropriate resolutions, certificates of formation, organic documents and certificates of incumbency, in form and substance satisfactory to the Agent, (v) good standing and existence certificates for the Borrower or the Acquiring Subsidiary in its respective states of organization, issued by the appropriate authorities of such jurisdiction, together with certificates of its respective good standing and due qualification to do business, issued by appropriate officials in any states in which the Borrower or the Acquiring Subsidiary own property subject to Security

Documents and (vi) a solvency certificate from the Acquiring Subsidiary; (e) the Agent shall have received a favorable legal opinion from Schully Roberts Slattery & Jaubert, counsel to the Borrower, as to the enforceability of this Amendment and such other related matters as the Agent may reasonably request; (f) the Agent shall have received for each Lender, such Lender's replacement promissory note substantially in the form of Exhibit A to this Amendment, duly executed and delivered by the Borrower, in the principal amount set forth in the column entitled "Portion of Facility Amount" in Schedule 3 attached hereto with respect to such Lender, which replacement promissory note shall be a renewal and replacement of, and shall be given in substitution and exchange for, but not in payment or novation of, the existing Notes held by the Lenders prior to the effectiveness of Section 4; (g) the Agent shall have received a "Compliance Certificate" of the Chairman of the Board or President and of the chief financial officer of the Borrower in which such officers shall certify as to the satisfaction of the conditions set out in clauses (a), (b), (c) and (d) of Section 4.3 of the Revolving Credit Agreement; and (h) the Borrower shall pay to the Agent for the account of each Lender, a fee in an amount equal to the product of (i) fifteen (15) basis points and (ii) the difference between (A) such Lender's portion of the Commitment Amount as set forth in Schedule 3 to this Amendment and (B) such Lender's portion of the Commitment Amount as set forth in Schedule 3 to the Revolving Credit Agreement as in effect immediately prior to the date hereof (or zero (0), if any Lender identified on Schedule 3 hereto was not listed on Schedule 3 of the Revolving Credit Agreement in effect immediately prior to the date hereof). As used herein, the term "ConocoPhillips Real Property" means the real property interests acquired by the Acquiring Subsidiary, as described on Exhibit B to this Amendment.

6. Representations and Warranties. To induce each Lender Party to enter into this Amendment, the Borrower hereby reaffirms, as of the date hereof, its representations and warranties contained in the Revolving Credit Agreement (except to the extent such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true, correct and complete as of such earlier date) and additionally represents and warrants as follows:

(a) Due Incorporation, Etc. The Borrower (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, (ii) has all requisite corporate power and authority to own its assets and to carry on its business as now conducted and proposed to be conducted, (iii) is duly qualified to do business and is in good standing in all other jurisdictions where the nature of its business requires it to be so qualified and where the failure to so qualify would materially and adversely affect the business, assets, properties or condition (financial and otherwise), of the Borrower.

(b) Non-Contravention. The execution, delivery and performance by the Borrower of this Amendment are within the Borrower's corporate powers, have been duly authorized by all necessary action of the Borrower, require, in respect of the Borrower, no action by or in respect of, or filing with, any governmental authority which has not been performed or obtained and do not contravene, or constitute a default under, any provision of Law or regulation (including, without limitation, Regulation X issued by the Board of Governors of the Federal Reserve System applicable to the Borrower or Regulation U issued by the Board of Governors of the Federal Reserve System) or the articles of incorporation or the bylaws of the Borrower or any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or

result in the creation or imposition of any Lien on any asset of the Borrower except as contemplated by the Loan Documents.

(c) Legal, Valid and Binding. This Amendment is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

7. Effectiveness. This Amendment shall be effective as of December 12, 2003, following the satisfaction of the following conditions (the "Effective Date"):

(a) the Agent's receipt of this Amendment, duly executed by each of the parties hereto;

(b) payment of all expenses and fees, if any, then due and payable to the Agent and Lenders pursuant to the Loan Documents; and

(c) such other documents or agreements as the Agent may reasonably request prior to the Effective Date in connection with the execution of this Amendment.

8. Ratification of Amendment. This Amendment shall be deemed to be an amendment to the Revolving Credit Agreement, and the Revolving Credit Agreement,

as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Revolving Credit Agreement in any Loan Document or any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Revolving Credit Agreement as amended hereby. This Amendment is a Loan Document.

9. New Lender. Upon the Condition Satisfaction Date:

(a) WAMU shall be deemed automatically to have become a party to the Revolving Credit Agreement, shall have all the rights and obligations of a "Lender" under the Revolving Credit Agreement and the other Loan Documents as if each were an original signatory thereto, and shall agree, and does hereby agree, to be bound by the terms and conditions set forth in the Revolving Credit Agreement and the other Loan Documents to which the Lenders are a party, in each case, as if each were an original signatory thereto.

(b) WAMU (i) confirms that it has received a copy of the Revolving Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment and the Revolving Credit Agreement; (ii) agrees that it will, independently and without reliance upon the Agent, the Issuer or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Revolving Credit Agreement; (iii) represents and warrants that its name set forth herein is its legal name; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Revolving Credit Agreement are required to be performed by it as a Lender.

(c) WAMU hereby advises each other party hereto that its respective address for notices shall be as set forth below its name on Schedule 3 hereto.

(d) The Lenders party to the Revolving Credit Agreement prior to the effectiveness of this Section 9 (the "Existing Lenders") hereby sell, assign, transfer and convey to WAMU, and WAMU hereby purchases and accepts, so much of the aggregate Commitments under, Loans outstanding under, and participations in Letters of Credit issued pursuant to, the Revolving Credit Agreement such that, after giving effect to this Section 9, the Percentage of each Lender (including the Existing Lenders and WAMU), and the portion of the Commitment Amount and portion of Facility Amount of each Lender, shall be as set forth on Schedule 3 hereto. The foregoing assignments, transfers and conveyances are without recourse to the Existing Lenders and without any warranties whatsoever by the Agent, the Issuer or any Existing Lender as to title, enforceability, collectibility, documentation or freedom from liens or encumbrances, in whole or in part, other than the warranty of each Existing Lender that it has not previously sold, transferred, conveyed or encumbered such interests.

(e) The Assignors and the Assignees shall make all appropriate adjustments in payments under the Revolving Credit Agreement, the Notes, and the other Loan Documents for periods prior to the adjustment date among themselves.

10. GOVERNING LAW. THIS AMENDMENT SHALL BE DEEMED A CONTRACT AND INSTRUMENT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES OF AMERICA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

11. Severability. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or affecting the validity or enforceability of such provision in any other jurisdiction.

12. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing one or more counterparts. Any signature hereto delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

13. Successors and Assigns. This Amendment shall be binding upon the Borrower and its successors and permitted assigns and shall inure, together with all rights and remedies of each Lender Party hereunder, to the benefit of each Lender Party and the respective successors, transferees and assigns.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

BORROWER:

W&T OFFSHORE, INC.,
a Nevada corporation

By: /s/ W. Reid Lea

Name: W. Reid Lea
Title: Chief Financial Officer

AGENT:

TORONTO DOMINION (TEXAS), INC.,
as Agent

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

ISSUER:

THE TORONTO-DOMINION BANK,
as Issuer

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Manager Syndications & Credit Admin.

LENDERS:

TORONTO DOMINION (TEXAS), INC.,
as Lender

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

BANK ONE, NA (Main Office - Chicago),
as Lender

By: /s/ Charles Kingswell-Smith

Name: Charles Kingswell-Smith
Title: Director

FORTIS CAPITAL CORP.,
as Lender

By: /s/ Christopher S. Parada

Name: Christopher S. Parada
Title: Vice President

By: /s/ Darrell W. Holley

Name: Darrell W. Holley
Title: Managing Director

BANK OF SCOTLAND, as Lender

By: /s/ Susan E. Hay

Name: Susan E. Hay

Title: Director, Business Services

BMO NESBITT BURNS FINANCING, INC., as
Lender

By: /s/ James V. Ducote

Name: James V. Ducote
Title: Vice President

WASHINGTON MUTUAL BANK, FA
as Lender

By: /s/ Russell R. Otts

Name: Russell R. Otts
Title: Vice President

NATEXIS BANQUES POPULAIRES,
as Lender

By: /s/ Donovan C. Broussard

Name: Donovan C. Broussard
Title: Vice President & Group Manager

By: /s/ Philippe Robin

Name: Philippe Robin
Title: Senior Vice President

ROYAL BANK OF CANADA,
as Lender

By: /s/ Lorne Gartner

Name: Lorne Gartner
Title: Authorized Signatory

EXHIBIT A

FORM OF REPLACEMENT NOTE

Attached.

EXHIBIT B

DESCRIPTION OF CONOCOPHILLIPS REAL PROPERTY

Attached.

SCHEDULE 3

LENDERS SCHEDULE

<TABLE>
<CAPTION>

	Percentage Share	Portion of Commitment Amount	Portion of Facility Amount
<S>	<C>	<C>	<C>
Lending Office for ABR Loans:			
Toronto Dominion (Texas), Inc. 909 Fannin, Suite 1700 Houston, Texas 77010 Tel: (713) 653-8211 Fax: (713) 652-2647	15.65%	$ 36,000,000	$ 36,000,000
Bank One, NA (Main Office - Chicago) Attn: Special Services 500 Throckmorton - PG6	15.65%	$ 36,000,000	$ 36,000,000

Fort Worth, Texas 76101 Tel: (817) 884-5000 Fax.: (817) 884-4095			
Fortis Capital Corp. 15455 North Dallas Parkway, Suite 1400 Addison, Texas 75001 Tel: (214) 953-9303 Fax: (214) 953-9303	15.65%	$ 36,000,000	$ 36,000,000
Bank of Scotland 565 Fifth Avenue New York, New York 10017 Tel: (212) 450-0877 Fax: (212) 687-4412	13.04%	$ 30,000,000	$ 30,000,000
BMO Nesbitt Burns Financing, Inc. 700 Louisiana, Suite 4400 Houston, Texas 77002 Tel: (713) 223-4400 Fax: (713) 223-4007	13.04%	$ 30,000,000	$ 30,000,000
Washington Mutual Bank, FA 3200 Southwest Freeway, Suite 1606 Houston, Texas 77027 Tel: (713) 543-7745 Fax: (713) 543-7114	9.57%	$ 22,000,000	$ 22,000,000
Natexis Banques Populaires 333 Clay Street, Suite 4340 Houston, Texas 77002	8.70%	$ 20,000,000	$ 20,000,000

<TABLE>

<S>	<C>	<C>	<C>
Tel: (713) 759-9401 Fax: (713) 759-9908			
Royal Bank of Canada 2800 Post Oak Boulevard Houston, Texas 77056 Tel: (713) 403-5662 Fax: (713) 403-5624	8.70%	$ 20,000,000	$ 20,000,000
Total	100.000000%	$230,000,000.00	$230,000,000.00

</TABLE>

Lending Office for Eurodollar Loans:

Same.

EXHIBIT 10.7

W&T OFFSHORE, INC.

March 26, 2004

Toronto Dominion (Texas), Inc., as Agent (the "Agent")

Lenders to the Revolving Credit Agreement referred to below (the "Lenders")

Re: Waiver Letter Relating to Conversion of W&T Offshore, Inc. into Texas corporation (the "Borrower")

Gentlemen:

Reference is hereby made to that certain Amended and Restated Credit Agreement, dated as of February 24, 2000, among the Borrower, the Lenders, the Agent and the other parties named therein, as amended pursuant to that certain First Amendment to Amended and Restated Credit Agreement as of December 5, 2000, among the Borrower, the Lenders, the Issuer and the Agent, as further amended pursuant to that certain Second Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of May 31, 2002, among the Borrower, the Lenders, the Issuer and the Agent, as further amended pursuant to that certain Third Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of December 2, 2002, among the Borrower, the Lenders, the Issuer and the Agent, as further amended pursuant to that certain Fourth Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of May 22, 2003, among the Borrower, the Lenders, the Issuer and the Agent, as further amended pursuant to that certain Fifth Amendment to Amended and Restated Credit Agreement (Revolving Credit Agreement) dated effective as of December 12, 2003, among the Borrower, the Lenders, the Issuer and the Agent (as so amended, and as from time to time further amended, supplemented, restated or otherwise modified, the "Revolving Credit Agreement"). Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Revolving Credit Agreement.

Reference is hereby also made to Section 6.6 of the Revolving Credit Agreement which, among other things, limits the Borrower from undertaking certain corporate structural changes, except that pursuant to the terms thereof the Borrower is permitted to merge itself into a Delaware corporation named W&T Offshore, Inc. so long as the Borrower complies with the requirements of the further proviso set forth in Section 6.6 of the Revolving Credit Agreement.

The Borrower hereby informs the Agent, Issuer and Lenders that it intends to become a Texas corporation through re-incorporation (instead of becoming a Delaware corporation through merger) and hereby requests that the Agent, Issuer and Lenders waive the prohibitions of Sections 6.6 of the Revolving Credit Agreement solely for the purpose of permitting the Borrower to re-incorporate itself as a Texas corporation, subject to the terms of this waiver letter.

By their signatures below, the Agent, Issuer and Lenders hereby agree that the Borrower may re-incorporate itself as a Texas corporation, so long as (i) within thirty (30) days of such re-incorporation the Borrower shall have filed or caused to be filed a copy of the evidence of such

re-incorporation in the appropriate governmental offices of all jurisdictions in which the Borrower owns real property constituting Collateral and (ii) the Borrower shall have taken such other actions as are necessary and appropriate or as otherwise requested by the Agent to ensure that the liens and security interests granted pursuant to the Security Documents in and to all Collateral remain valid perfected first priority liens and security interests in favor of the Agent for the benefit of the Lender Parties and, in the case of mortgages or deeds of trust referenced in Schedule 2 to the Revolving Credit Agreement, including, without limitation, taking such other actions as may be required by the Minerals Management Service.

This letter shall become effective as of the date first above written upon the receipt of this letter by the Agent, duly executed by the Borrower, the Agent, the Issuer and the Required Lenders.

This letter may be executed in any number of counterparts, all of which together shall constitute a single instrument, and it shall not be necessary that any counterpart be signed by all the parties hereto. A facsimile copy of this letter and signatures thereon shall be considered for all purposes as originals.

The Borrower hereby represents that as of the date hereof, no Default or Event of Default has occurred and is continuing. The Borrower acknowledges that, except as expressly set forth herein, no portion of this letter shall be deemed or interpreted in any way to be a waiver of any provision of the Revolving Credit Agreement or any other Loan Document or of any Default or Event of Default under the Revolving Credit Agreement or any other Loan Document or of

any right, power or remedy of the Agent, the Issuer or the Lenders under the Revolving Credit Agreement or any other Loan Document or applicable law.

Please indicate your approval of the terms and provisions hereof by executing this consent letter in the space provided below.

IN WITNESS WHEREOF, the parties have caused this letter to be duly executed as of the day and year first above written.

BORROWER:

W&T OFFSHORE, INC.,
a Nevada corporation

By: /s/ W. Reid Lea

Name: W. Reid Lea
Title: Chief Financial Officer

AGENT:

TORONTO DOMINION (TEXAS), INC.,
as Agent

By: /s/ Rachel Suiter

Name: Rachel Suiter
Title: Vice President

ISSUER:

THE TORONTO-DOMINION BANK,
as Issuer

By: /s/ Rachel Suiter

Name: Rachel Suiter
Title: Mgr. Cr. Admin.

LENDERS:

TORONTO DOMINION (TEXAS), INC.,
as Lender

By: /s/ Rachel Suiter

Name: Rachel Suiter
Title: Vice President

BANK ONE, NA (Main Office - Chicago),
as Lender

By: /s/ Charles Kingswell-Smith

Name: Charles Kingswell-Smith
Title: Managing Director

FORTIS CAPITAL CORP.,
as Lender

By: /s/ Christopher S. Parada

Name: Christopher S. Parada
Title: Vice President

By: /s/ Darrell W. Holley

Name: Darrell W. Holley
Title: Managing Director

BANK OF SCOTLAND, as Lender

By: /s/ Joseph Fratus

Name: Joseph Fratus
Title: First Vice President

HARRISS NESBITT FINANCING, INC.,
FORMERLY KNOWN AS BMO NESBITT
BURNS FINANCING, INC., as Lender

By: /s/ James V. Ducote

Name: James V. Ducote
Title: Vice President

WASHINGTON MUTUAL BANK, FA
as Lender

By: /s/ Russell R. Otts

Name: Russell R. Otts
Title: Vice President

NATEXIS BANQUES POPULAIRES,
as Lender

By: /s/ Donovan C. Broussard

Name: Donovan C. Broussard
Title: Vice President & Manager

By: /s/ Louis P. Laville, III

Name: Louis P. Laville, III

Title: Vice President & Manager

ROYAL BANK OF CANADA,
as Lender

By: /s/ Jason S. York

Name: Jason S. York
Title: Authorized Signatory

EXHIBIT 10.8

INDEMNIFICATION AND HOLD HARMLESS AGREEMENT

THIS INDEMNIFICATION AND HOLD HARMLESS AGREEMENT (this "Agreement") is made as of April __, 2004, by and between W&T Offshore, Inc., a Texas corporation (the "Company"), and _____ ("Indemnitee").

WHEREAS, in order to incentivize Indemnitee to serve, or to continue to serve, as a director of the Company (in any such case, the "Service"), the Company has agreed to indemnify Indemnitee as set forth below;

NOW, THEREFORE, in consideration of the foregoing and certain other good and valuable consideration, the receipt of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

1. Indemnification. Effective as of the original date of Indemnitee's beginning Service, the Company shall indemnify Indemnitee and hold Indemnitee harmless if the Indemnitee is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative, and in any appeal in such action, suit or proceeding, and in any inquiry or investigation that could lead to such an action, suit or proceeding, against any and all liabilities, obligations (whether known or unknown, or due or to become due or otherwise), judgments, fines, fees, penalties, interest obligations, deficiencies, other actual losses (for example, verifiable lost income related to time spent defending such claim or action) and reasonable expenses (including, without limitation amounts paid in settlement, interest, court costs, costs of investigators, reasonable fees and expenses of attorneys, accountants, financial advisors and other experts) incurred or suffered by Indemnitee in connection with such action, suit or proceeding arising out of or pertaining to any actual or alleged action or omission which arises out of or relates to the fact that Indemnitee is or was serving as a director or officer of the Company or at the request of the Company as a director, officer, trustee, employee, or agent of or in any other capacity for another corporation, partnership, joint venture, trust or other enterprise, to the fullest extent permitted by then applicable law and the Company's Articles of Incorporation and Bylaws, each as amended (but in the case of any such amendment, only to the extent that such amendment permits the Company to provide the same or broader indemnification rights than permitted prior thereto) (each such liability, obligation, judgment, fine, fee, penalty, interest obligation, deficiency, other actual losses, and reasonable expenses being referred to herein as a "Loss," and collectively, as "Losses").

2. Payment. Any Loss incurred by Indemnitee shall be paid in full by the Company on a regular monthly basis. This indemnity applies even if the Indemnitee caused the Loss through his or her negligence, strict liability or other fault; however, if any Losses for which Indemnitee received payment from the Company under this Agreement are determined by final judicial decision from which there is no further right to appeal, to have been caused by Indemnitee under circumstances with respect to which indemnification is not permitted by applicable law or this Agreement (any such Loss, a "Non-Indemnification Loss"), Indemnitee shall repay to the Company such Losses paid on behalf of Indemnitee hereunder.

3. Term. The indemnification rights provided hereby to Indemnitee shall continue even though he or she may have ceased to be a director, officer, trustee, employee, or agent of or in any other capacity for the applicable entity.

4. Notice and Coverage Prior to Notice. Indemnitee shall give notice (the "Notice") to the Company within five days after actual receipt of service or summons related to any action begun in respect of which indemnity may be sought hereunder or actual notice of assertion of a claim with respect to which he seeks indemnification; provided, however, that the Indemnitee's failure to give such notice to the Company within such time shall not relieve the Company from any of its obligations under Section 1 of this Agreement except to the extent the Company has been materially prejudiced by Indemnitee's failure to give such notice within such time period. Upon receipt of the Notice, the Company shall assume the defense of such action, whereupon the Indemnitee shall not be liable for any reasonable fees or expenses of counsel for Indemnitee or any other Losses incurred thereafter with respect to the matters set forth in the Notice and the Company shall reimburse the Indemnitee for all reasonable expenses related to the action or claim incurred by the Indemnitee prior to the Indemnitee's giving of the Notice.

5. Non-Exclusivity. The rights of Indemnitee hereunder shall be in addition to any rights that Indemnitee may have under the Company's governance documents (e.g. Articles of Incorporation, By-laws, Articles of Organization, Regulations, etc.) (the "Governance Documents"), applicable law or otherwise and shall survive any termination, resignation, death or other dismissal of Indemnitee. No amendment or alteration of the Company's Governance Documents shall adversely affect Indemnitee's rights under the Governance Documents or this Agreement.

6. Insurance. To the extent the Company maintains, at its expense, an insurance

policy or policies providing liability insurance with respect to the acts or omissions covered by this Agreement, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available there under.

7. Payment. The Company shall not be liable to Indemnitee under this Agreement to make any payment in connection with any claim against Indemnitee to the extent the Indemnitee has otherwise actually received, and is entitled to retain, payment (under any insurance policy or otherwise) of the amounts otherwise indemnifiable hereunder.

8. Enforceability. The indemnification contained in this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns (including any direct or indirect successor by purchase, merger, consolidation, liquidation or otherwise to all or substantially all of the business and/or assets of the Company), spouses, heirs and personal and legal representatives.

9. Binding Obligation. If this Agreement or any portion hereof shall be found to be invalid on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless Indemnitee, as to costs, charges and expenses (including court costs and attorneys' fees), judgments, fines, penalties and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative, and in any appeal in such action, suit or proceeding, and in any inquiry or investigation that could lead to such an action, suit or proceeding, to the full extent permitted by

any applicable portion of this Agreement that shall not have been invalidated and to the fullest extent permitted by applicable law.

10. Governing Law; Venue. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas, without regard to the principles of conflicts of laws. The parties agree that any litigation directly or indirectly relating to this Agreement must be brought before and determined by a court of competent jurisdiction within Harris County, Texas, and the parties hereby agree to waive any rights to object to, and hereby agree to submit to, the jurisdiction of such courts.

11. Right to Sue; Attorneys' Fees and Costs. If a claim by Indemnitee for payment of Losses hereunder is not paid in full by the Company within forty-five (45) days after a written claim has been delivered to the Company, Indemnitee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, Indemnitee shall be entitled to be paid also the reasonable costs and expenses of prosecuting such suit. In any suit brought by Indemnitee to enforce any right hereunder (including, without limitation, the right to indemnification), the burden of proving that Indemnitee is not entitled to such right shall be borne by the Company. If a claim by the Company for repayment of any Non-Indemnification Losses previously paid on behalf of Indemnitee hereunder is not repaid in full to the Company within forty-five (45) days after such ruling has been delivered to Indemnitee, the Company may at any time thereafter bring suit against the Indemnitee to recover the unpaid amount.

12. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the heirs, successors and assigns of each party to this Agreement. 13. Amendment. This Agreement may be amended, modified or supplemented only by a written instrument executed by each of the parties hereto.

14. Facsimile and Counterpart Signature. This Agreement may be executed by facsimile signature and in one or more counterparts, each of which shall for all purposes be deemed an original and all of which shall constitute the same instrument, but only one of which need be produced.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

W&T OFFSHORE, INC.

By: _____

Name: W. Reid Lea
Title: Chief Financial Officer

_____
INDEMNITEE

By: _____

Name:

Title:

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), is made and entered into as of the 21st day of April 2004 to be effective on the date that the Company's initial public offering of its common stock is consummated (the "Effective Date"), by and between W&T OFFSHORE, INC., a Texas corporation (the "Company"), and Tracy W. Krohn, an individual residing in Houston, Texas (the "Executive").

WITNESSETH:

WHEREAS, the Executive is the Company's founder and majority shareholder as well as its Chief Executive Officer ("CEO"), President and Treasurer; and

WHEREAS, the Executive has been rendering services to the Company under an Employment Agreement dated December 2, 2002; and

WHEREAS, in light of the Company's planned Initial Public Offering, the Board of Directors of the Company (the "Board") wishes to enter into a new employment agreement with Executive in order to assure his continued services and in order to fairly compensate him for the additional duties he will be undertaking once the Company becomes a public company; and

WHEREAS, the Board is concerned that, once the Company becomes a public company, it may be approached by third parties about a possible business combination with the Company, and considers it imperative in such circumstances that the Company be able to rely upon the Executive to continue in his position and that the Company be able to receive and rely upon the Executive's assessment of such proposals and advice concerning the best interests of the Company and its stockholders, without concern that the Executive might be distracted by the personal uncertainties and risks created by such a third party proposal; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

1. EMPLOYMENT AND TERM. The Executive's December 2, 2002 Employment Agreement (the "2002 Employment Agreement") is hereby superceded by this Agreement, and effective as of the Effective Date, Executive shall have no further rights and the Company shall have no further liabilities under the 2002 Employment Agreement. Subject to the terms and conditions set forth in this Agreement, the Company hereby agrees to employ the Executive, and the Executive accepts such employment, as Chief Executive Officer ("CEO") and President of the Company for the period beginning on the Effective Date and continuing until the earlier of (i) the third anniversary of the Effective Date (the "Initial Employment Term"), or (ii) the termination of the Executive's employment pursuant to the terms hereof. This Agreement will be automatically extended for an additional year on the third anniversary date hereof and

every subsequent anniversary date unless terminated by either the Company or the Executive by the giving of written notice to the other party no later than three (3) months prior to the third anniversary date hereof or any such subsequent anniversary date, as the case may be. The entire period that Executive is employed under this Agreement shall be referred to in this Agreement as the "Employment Term."

2. COMPENSATION; BENEFITS.

(A) COMPENSATION. Subject to the terms and conditions of this Agreement, the Company shall pay the Executive an annual base salary (the "Base Salary") of $500,000, payable in accordance with the Company's regular payroll practices; provided, however, that the Compensation Committee of the Board shall have the authority to increase (but not decrease) the amount of the Base Salary at any time during the Employment Term.

(B) BONUS. In addition to the Base Salary, the Executive shall be entitled to receive an annual bonus payable in cash, as promptly as practicable, but no later than 30 days following the Company's receipt of an audit opinion covering its most recent fiscal year's financial statements up to a maximum amount of $250,000, which bonus may be increased as determined by the Compensation Committee of the Board.

(C) BENEFITS. While employed under this Agreement, the Executive shall be entitled to participate in all employee benefit plans and programs that the Company makes available to its employees generally, subject to applicable law and the terms thereof as in effect from time to time. The Executive is also entitled to use Company cars for incidental personal use. In addition, the

Executive's mother and stepfather will continue to receive medical insurance coverage from the Company during the Employment Term to the same extent as they receive coverage on the date hereof.

3. BUSINESS EXPENSES. The Company shall reimburse the Executive for all reasonable and ordinary business expenses that are properly documented with receipts and are incurred in the performance of his services hereunder, in accordance with Company policy as in effect from time to time.

4. DUTIES.

(A) REPORTING RELATIONSHIP/ PERFORMANCE OF DUTIES. The Executive shall report to the Company's Board. The Executive shall perform such duties and discharge such responsibilities as commensurate with the positions held by the Executive, subject to the direction of the Board. The Executive shall devote his full time and efforts to performing such duties faithfully, diligently and to the best of his abilities to advance the interests of the Company. The Executive shall fully comply with all applicable laws, rules and regulations and abide by all policies and procedures adopted by the Company from time to time.

(B) COMPANY ENTITLED TO EXECUTIVE'S EXCLUSIVE SERVICES. While employed under this Agreement, the Executive shall not directly or indirectly consult, advise, be retained or employed by, or in any manner perform any services with or for any other business or entity in any line of business, regardless of whether such line of business is competitive with the Company's Business (as defined below), without first obtaining the prior written consent of the Board, except that this restriction shall not apply to the Executive's incidental involvement in the activities of W&T Offshore, LLC or the business of Krohn-Barbour Racing, LLC. The foregoing shall not prohibit the Executive from managing his personal investments, or investing his assets or engaging in such personal, charitable or other non-employment activities that do not interfere with his full-time employment hereunder and that do not violate any other provision of this Agreement.

(C) OTHER POSITIONS. In addition to performing his duties as CEO and President, the Executive, if so elected or appointed, shall, without additional compensation, serve as a member of the Board and committees of the Board, and shall also hold additional executive offices in the Company and any Company subsidiary or affiliate if requested to do by the Board.

5. RIGHT TO CONTRACT; Conflict of Interest. The Executive hereby represents and warrants to the Company that (a) he has full right and authority to enter into this Agreement and to perform his obligations hereunder, (b) the execution and delivery of this Agreement by the Executive and the performance of the Executive's obligations hereunder will not conflict with or breach any agreement, order or decree to which the Executive is a party or by which he is bound, and (c) he is not a party to or bound by any agreement or commitment, or subject to any restrictions (including confidentiality or non-competition restrictions), in connection with any prior employment or activities.

6. OTHER DUTIES OF EXECUTIVE DURING AND AFTER THE EMPLOYMENT TERM

(A) DEFINITIONS. The following terms, as used in this Section 6, shall have the meanings set forth below:

(i) "Affiliate" means any Person, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Company.

(ii) The Company's "Business" means the business of oil and gas exploration or production conducted in the Gulf of Mexico or within 200 miles from the coast of the Gulf of Mexico in an area stretching from Key West, Florida to Brownsville, Texas, and such other and further business of the Company as the same may exist from time to time.

(iii) "Compete" means to engage in competition with the Company's Business. The term "Compete" also means to usurp a potential business opportunity that

may be appropriate for the Company without first, by written notice to each member of the Board communicating and offering such opportunity to the Company for a reasonable period of time. An action "Competes" without regard to whether the Executive pursues or acquires such opportunity for himself or directs such opportunity to another Person and without regard to whether he takes action directly or indirectly, individually or through a member of his Immediate Family, an Affiliate or other Person acting on the Executive's behalf in any capacity, including, without limitation, as an employee, officer, director, manager, proprietor, consultant, partner, member, investor, lender, stockholder

or other security holder of any Competitor (other than as a security holder of a corporation listed on a national securities exchange or the securities of which are regularly traded in the over-the-counter market, provided that the Executive at no time owns in excess of 1% of the outstanding securities of such corporation entitled to vote for the election of directors). W&T Offshore, LLC shall not be considered to Compete with the Company's Business in connection with engaging in a new exploration well or marketing the production of such well, if W&T Offshore, LLC, offers to the Company the right, exercisable within ten days after written notice thereof, to participate, on the same terms and conditions as those accepted by W&T Offshore, LLC in such new exploration well, in up to 50% of the interest that W&T Offshore, LLC would be entitled to participate; provided, however that, after a Change of Control, W&T Offshore, LLC shall not be considered to Compete with the Company's Business in connection with engaging in a new exploration well or marketing the production of such well whether or not W&T Offshore, LLC offers the Company the right to participate in such exploration or marketing.

(iii) "Competitor" means any Person engaged directly or indirectly in the Business.

(iv) "Immediate Family" means, with respect to any individual, such individual's spouse, and the parents, children, grandchildren, siblings, nieces and nephews of such individual or his or her spouse and the spouses of any of the foregoing (and estates, trusts, partnerships and other entities and legal relationships of which a substantial majority in interests of the beneficiaries, owners, investors, members or participants at all times in question are, directly or indirectly, one or more of the Persons described above and/or such individual).

(v) "Person" means any individual, corporation, association, partnership (limited or general), limited liability company, joint venture, joint stock company, association, trust, estate, unincorporated organization or government or any agency or political subdivision, or other entity or organization.

(B) COOPERATION. Both during and after the Employment Term, the Executive shall, upon reasonable notice, furnish such information as may be in his possession to, and cooperate with, the Company as may reasonably be requested by the Company in connection with any litigation in which the Company is or may become a party.

(C) NON-DISCLOSURE OF INFORMATION. The Board agrees to provide the Executive with immediate continued access to the Company's trade secrets and confidential information. Except with the prior consent of or as directed by the Board, the Executive will, both during the time this Agreement is in effect and thereafter, keep confidential and not divulge to any other Person or use for his personal benefit or the benefit of others, any of the Company's confidential or proprietary information and trade secrets, including, but not limited to, confidential or proprietary information and trade secrets relating to such matters as the Company's finances and operations, the names of the Company's customers and the names of the Company's suppliers. All papers, books and records of every description including, without limitation, computer software, programs, modules or source codes as well as reproductions thereof relating to the business and affairs of the Company, or its customers, joint venture partners or joint working interest owners and which constitute Company confidential or proprietary information, whether or not prepared by the Executive, shall be the sole and exclusive property of the Company, and the Executive shall surrender them to the Company, including all copies thereof, at any time upon request, both during the time this Agreement is in effect and thereafter. The Executive agrees that he will use such confidential information solely for purposes of this Agreement and the employment services to be provided hereunder. Notwithstanding the foregoing, the confidential information and trade secrets referred to in this paragraph shall not include information and secrets that (i) become generally available to the public other than as a result of disclosure by the Executive; (ii) become available to the Executive on a non-confidential basis from a person other than the Company, who is not known by the Executive to be under an obligation of confidentiality with respect thereto; or (iii) are required to be disclosed by law or by order of a court.

(D) WORK PRODUCT. The Executive agrees that all copyrights, patents, trade secrets or other intellectual property rights associated with any ideas, concepts, techniques, inventions, processes, or works of authorship developed or created by him during his employment by the Company and for a period of six months thereafter, that (i) relate, whether directly or indirectly, to the Company's actual or anticipated business, research or development, or (ii) are suggested by or as a result of any work performed by the Executive on the Company's behalf, shall, to the extent possible, be considered works made for hire within the meaning of the Copyright Act (17 U.S.C. ss. 101 et. seq.) (the "Work Product"). All Work Product shall be and remain the property of the Company. To the extent that any such Work Product may not, under applicable law, be considered works made for hire, the Executive hereby grants, transfers,

assigns, conveys and relinquishes, and agrees to grant, transfer, assign, convey and relinquish from time to time, on an exclusive basis, all of his right, title and interest in and to the Work Product to the Company in perpetuity or for the longest period otherwise permitted by law. Consistent with his recognition of the Company's absolute ownership of all Work Product, the Executive agrees that he shall (i) not use any Work Product for the benefit of any party other than the Company and (ii) perform such acts and execute such documents and instruments as the Company may now or hereafter deem reasonably necessary or desirable to evidence the transfer of absolute ownership of all Work Product to the Company; provided, however, if following ten (10) days' written notice from the

Company, the Executive refuses, or is unable, due to Disability (as defined below), incapacity, or death, to execute such documents relating to the Work Product, he hereby appoints any of the Company's officers as his attorney-in-fact to execute such documents on his behalf. This agency is coupled with an interest and is irrevocable without the Company's prior written consent.

(E) Warranty as to Work Product. The Executive represents and warrants to the Company that (i) there are no claims that would adversely affect his ability to assign all right, title and interest in and to the Work Product to the Company; (ii) the Work Product does not violate any patent, copyright or other proprietary right of any third party; (iii) the Executive has the legal right to grant the Company the assignment of his interest in the Work Product as set forth in this Agreement; and (iv) he has not brought and will not bring to his employment hereunder, or use in connection with such employment, any trade secret, confidential or proprietary information, or computer software, except for software that he has a right to use for the purpose for which it shall be used, in his employment hereunder.

(F) Non-Competition/Non-Solicitation. Subject to Section 7, the Executive agrees that, during the Employment Term and for a period of two (2) years thereafter (such period, the "Non-Compete Period"), the Executive shall not, directly or indirectly, either for his own account or for any other Person:

(i) compete with the Company;

(ii) interfere with or disrupt, or attempt to interfere with or disrupt, the relationship, contractual or otherwise, between the Company and any customer, supplier or employee of the Company, assist a Competitor of the Company by providing consulting or other advisory services to that Competitor or otherwise;

(iii) solicit for employment, engage and/or hire, whether directly or indirectly, any individual who is then employed by the Company or engaged by the Company as an independent contractor or consultant; and/or encourage or induce, whether directly or indirectly, any individual who is then employed by the Company or engaged by the Company as an independent contractor or consultant to end his/her business relationship with the Company.

(G) REMEDIES. The Executive acknowledges that a breach or threatened breach of any of the terms set forth in this Section 6 shall result in an irreparable and continuing harm to the Company for which there shall be no adequate remedy at law. In the case of any breach or threatened breach of Section 6, the Company, without posting a bond, shall be entitled to obtain injunctive and other equitable relief, in addition to any other remedies available to the Company. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of damages from the Executive. The Executive agrees not to assert in any such action that an adequate remedy exists at law. All expenses, including, without limitation, attorney's fees and expenses incurred in

connection with any legal proceeding arising as a result of a breach or threatened breach of Section 6, shall be borne by the losing party to the fullest extent permitted by law and the losing party hereby agrees to indemnify and hold the other party harmless from and against all such expenses.

(H) ESSENTIAL AND INDEPENDENT AGREEMENTS. It is understood by the parties hereto that the Executive's obligations and the restrictions and remedies set forth in this Section 6 are essential elements of this Agreement and that but for his agreement to comply with and/or agree to such obligations, restrictions and remedies, the Company would not have entered into this Agreement or continued to employ him or provided him with continued access to the Company's trade secrets and confidential information. The Executive's obligations and the restrictions and remedies set forth in this Section 6 are independent

agreements, and the existence of any claim or claims by him against the Company under this Agreement or otherwise will not excuse his breach of any of his obligations or affect the restrictions and remedies set forth under this Section 6.

(I) SURVIVAL OF TERMS; REPRESENTATIONS. The Executive's obligations under this Section 6 shall remain in full force and effect notwithstanding the termination of his employment for any reason. He acknowledges that he is sophisticated in business, and that the restrictions and remedies set forth in this Section 6 do not create an undue hardship on him and will not prevent him from earning a livelihood. He further acknowledges that he has had a sufficient period of time within which to review this Agreement, including this Section 6, with an attorney of his choice and he has done so to the extent he desired. The Executive and the Company agree that the restrictions and remedies contained in this Section 6 are reasonable and necessary to protect the Company's legitimate business interests regardless of the reason for or circumstances giving rise to such termination and that he and the Company intend that such restrictions and remedies shall be enforceable to the fullest extent permissible by law. The Executive agrees that, given the scope of the Company's business and the global nature of the oil and gas business, any further geographic limitation on such remedies and restrictions would deny the Company the protection to which it is entitled hereunder. If it shall be found by a court of competent jurisdiction that any such restriction or remedy is unenforceable but would be enforceable if some part thereof were deleted or modified, then such restriction or remedy shall apply with such modification as shall be necessary to make it enforceable to the fullest extent permissible under law.

(J) DISCLOSURE. The Executive shall, and the Company may, during the time this Agreement is in effect and thereafter, notify any prospective employer of the Executive of the terms and conditions of this Agreement regarding confidentiality, nondisclosure, non-solicitation and non-competition.

7. EFFECT OF A CHANGE OF CONTROL.

(A) DEFINITIONS.

"Base Amount" shall mean the Executive's average W2 taxable income from the Company and its Affiliates over the five taxable years that end before the subject Change of Control occurs.

"Change of Control" shall mean:

(i) Any merger, consolidation or share exchange that results in the voting securities of the Company outstanding immediately prior thereto representing immediately thereafter (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation; or

(ii) Any sale of all or substantially all of the assets of the Company; or

(iii) The complete liquidation of the Company.

B) IMPACT OF CHANGE OF CONTROL. If Executive is terminated without Cause or he resigns for Good Reason within two years after a Change of Control, he shall be entitled to receive all compensation earned to the date of termination, including a pro rata allocation of any annual bonus to which he would have been entitled had he been employed during the entire year, plus a severance payment in the amount of 2.99 times his Base Amount (the "Severance Payment"). One-half of the Severance Payment, but not less than $1,125,000, shall be paid to the Executive to compensate him for his lost earnings during the Non-Compete Period, and such allocation shall be noted in the Company's accounting records for purposes of addressing whether any excise taxes are owed by the Company or the Executive in connection with the Severance Payment. The Company shall have the right to require that the Executive sign a complete release of the Company and its Affiliates and their officers and directors as a condition to his receipt of the Severance Payment under this paragraph or any other paragraph in this Agreement.

8. TERMINATION OF EMPLOYMENT.

(A) GROUNDS FOR TERMINATION. This Agreement shall terminate upon the earliest of the following to occur:

(i) The death of the Executive, effective the date of his death; or

(ii) The Executive becoming incapable of fulfilling his duties and obligations hereunder because of injury or physical or mental illness, and such incapacity existing for a total of one hundred and twenty (120) calendar days in

any twelve (12)-month period (a "Disability"); or

(iii) The termination of the Executive for Cause, defined as (a) fraud or dishonesty in connection with the Executive's performance of his duties that results in demonstrable damage to the Company; (b) the Executive's conviction of a crime involving moral turpitude; (c) any violation of Section 6 of this Agreement; or (d) the Executive's willful failure, neglect or refusal to perform his duties hereunder or any other material breach by the Executive of any of the terms hereunder. This Agreement shall terminate immediately upon the Company giving the Executive written notice that the Agreement is being terminated for a Cause specified in Sections (a)-(c) of the preceding sentence; however, with respect to termination for a Cause specified in (d) of the preceding sentence, the Board shall give written notice to the Executive specifying the Cause relied upon for termination and give the Executive a reasonable opportunity to be heard, and if the Executive does not cease and correct such conduct, event, act or failure within thirty (30) days after the date of such notice or the Board does not revoke such notice after giving the Executive a reasonable opportunity to be heard, the Executive's employment shall then be terminated effective at the close of business on such thirtieth (30th) day following the written notice; or

(iv) The Executive's resignation for Good Reason; defined as (a) any material breach by the Company of any provision of this Agreement or (b) a material adverse change in the Executive's title, position or responsibilities. The Executive shall give written notice to the Company specifying the claimed Good Reason relied upon for termination, and if the Company fails to correct the claimed Good Reason within thirty (30) days after the receipt of such notice, the Executive's employment shall be terminated effective at the close of business on such thirtieth (30th) day. Notwithstanding anything to the contrary in this Agreement, the Executive shall not be entitled to terminate for Good Reason if the Company is entitled to terminate for Cause; or

(v) Expiration of the Employment Term.

(B) PAYMENTS DUE ON TERMINATION.

(i) If the Company terminates this Agreement for Cause, the Executive resigns without Good Reason, or the Executive's employment hereunder terminates due to the Disability or death of the Executive, then the Company's obligations to make payments to the Executive, his beneficiaries or estate, as appropriate, under Section 2 shall immediately cease as of the effective date of such termination or resignation; provided, however, that the Company will pay any Base Salary due for services already performed, will reimburse the Executive or his estate for any previously incurred legitimate business expenses, and will offer medical benefits to the Executive's dependents in accordance with COBRA and any other applicable law.

(ii) If the Company terminates this Agreement without Cause or the Executive terminates this Agreement for Good Reason, then the Executive shall be entitled to receive all compensation earned to the date of termination, including a pro rata allocation of any annual bonus to which he would have been entitled had he been

employed during the entire year, plus the Severance Payment described in Section 6 of this Agreement. The Executive shall only be entitled to receive one Severance Payment, even if multiple events occur that might entitle him to the Severance Payment.

(iii) At the end of the Initial Employment Term or on any subsequent anniversary date, should the Company, without Cause, fail to renew this Agreement and fail to negotiate a new agreement acceptable to Executive, then the Executive shall have the option of resigning and receiving the Severance Payment.

(iv) The payments and benefits (if any) required to be provided to the Executive under this section shall be in complete satisfaction of any claims that the Executive may have as a result of termination of the Executive's employment.

(C) SURVIVAL OF CERTAIN TERMS OF THIS AGREEMENT. In addition to the provisions of this Agreement explicitly stated herein as surviving the termination of this Agreement, including without limitation all provisions requiring the Company to pay the Executive amounts due to him upon termination of employment, sections 9 to 15 inclusive shall survive such termination.

9. SEVERABILITY. The Company and the Executive recognize that the laws and public policies of the state law applicable to this Agreement are subject to varying interpretations and change. It is the intention of the Company and the Executive that this Agreement be enforced to the fullest extent permitted by law. Therefore, should a court of competent jurisdiction hold any provision or portion or clause of this Agreement, or portion thereof, to be illegal, invalid or unenforceable, the remainder of such provision shall not thereby be affected and shall be given full effect, without regard to the invalid portion. Further, if any court construes any provision or clause of this Agreement, or any portion thereof, to be illegal, void or unenforceable because of the scope of such covenant or provision, it is the intention of the parties that the court shall modify such a provision to render its scope legal and enforceable and, in its modified form, such provision shall then be enforceable and shall be enforced.

10. ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns (including any entity which acquires the Company by way of acquisition of assets, merger, stock purchase or otherwise), and upon the Executive and the Executive's heirs, executors, administrators and legal representatives. This Agreement shall not be assignable by the Executive.

11. NOTICES. All notices under this Agreement shall be in writing and shall be deemed to have been given at the time when hand delivered, when received if sent by telecopier or by same day or overnight recognized commercial courier service, or three days after being mailed by registered or certified mail, addressed to the address below stated of the party to which notice is given (or to such changed address as such party may have provided by written notice):

(A) If to the Company to:

W&T Offshore, Inc.
8 Greenway Plaza
Suite 1330
Houston, TX 70046
Attention: Tracy Krohn
Facsimile: (713) 686-8527

with a copy to:

4400 One Houston Center
1221 McKinney Street
Houston, Texas 77010
Attention: Virginia Boulet, Esq.
Facsimile: (713) 652 5151

(B) If to Executive, to:

Tracy W. Krohn
8 Greenway Plaza
Suite 1330
Houston, TX 70046

with a copy to:

Adams and Reese, LLP
4400 One Houston Center
1221 McKinney Street
Houston, Texas 77010
Attention: Virginia Boulet, Esq.
Facsimile: (713) 652 5151

12. TAXES. From any payments due the Executive from the Company pursuant to this Agreement, there shall be withheld amounts reasonably believed by the Company to be sufficient to satisfy liabilities for federal, state and local taxes and other charges and customary withholdings. The Executive remains primarily liable to such authorities for such taxes and charges to the extent not actually paid by the Company.

13. GOVERNING LAW. This Agreement shall be executed, construed and performed in accordance with the laws of the State of Texas without giving effect to its principles of conflict of law.

14. HEADINGS. The section headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

15. ENTIRE AGREEMENT; AMENDMENTS. This Agreement shall constitute and embody the entire agreement between the parties in connection with the subject matter hereof and shall supersede all prior and contemporaneous agreements and understandings in connection with such subject matter. This Agreement may not be amended, waived, changed, modified or discharged except by an instrument in writing executed by or on behalf of the party against whom any amendment waiver, change, modification or discharge is sought. Any waiver of any breach of any provision of this Agreement shall not operate as a waiver of any other breach of such provision or any other provision of this Agreement, nor shall any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof. Each of the parties hereto agrees to execute all such further instruments and documents and to take all such further action as the other party may reasonably request in order to effectuate the terms and purposes of this Agreement.

16. COUNTERPARTS. This Agreement may be executed in any number of counterparts and each such counterpart hereof shall be deemed to be an original instrument but all such counterparts together shall constitute but one instrument.

17. NO THIRD PARTY BENEFICIARIES. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement, except as provided in the "Assignment" section above.

IN WITNESS WHEREOF, the patties have executed this Employment Agreement as of the date first above written.

W&T OFFSHORE, INC.

By: /s/ James Luikart

James Luikart
Chairman of the Compensation
Committee of the Board of Directors

/s/ Tracy W. Krohn

Tracy W. Krohn

EXHIBIT 10.10

W&T OFFSHORE, INC.
LONG-TERM INCENTIVE COMPENSATION PLAN

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W&T OFFSHORE, INC.
LONG-TERM INCENTIVE COMPENSATION PLAN

This Long-Term Incentive Compensation Plan ("Plan"), effective April 15, 2004, is established primarily to encourage employees and consultants of W & T Offshore, Inc. (the "Company"), its Affiliates, and its joint ventures to acquire Stock and other equity-based interests in the Company. It is believed that the Plan will stimulate employees' and consultants' efforts on the Company's behalf, will tend to maintain and strengthen their desire to remain with the Company, will be in the interest of the Company and its shareholders, and will encourage such employees and consultants to have greater personal financial investment in the Company thorough ownership of its Stock. The Plan supersedes and replaces that certain Long Term Incentive Plan of the Company adopted in 2003 (the "Original Incentive Plan").

1. Definitions

"Affiliate" shall have the meaning assigned to the term pursuant to Rule 12b-2 as promulgated under the Securities Exchange Act of 1934, as amended.

The "Board" means the Board of Directors of the Company.

"Cause" shall mean: (a) theft of property belonging to the Company or one of its Affiliates (including but not limited to trade secrets and confidential information); (b) fraud on the Company or one of its Affiliates; (c) conviction of, or pleading "no contest" to, a felony committed while employed by or consulting for the Company or one of its Affiliates; (d) breach of fiduciary duty to the Company or one of its Affiliates; or (e) deliberate, willful or gross misconduct related to the Company or an Affiliate.

The "Code" means the Internal Revenue Code of 1986, as amended, or any successor code thereto.

The "Committee" means the Compensation Committee of the Board of Directors of the Company.

The "Company" means W & T Offshore, Inc.

"Covered Employee" means an employee who is a "covered employee" within the meaning of Section 162(m) of the Code.

"Division" shall mean a section of the Company or an Affiliate.

"Eligible Employee" mean a regular full-time or part-time employee of the Company, its Affiliates, and its joint ventures, including officers, whether or not under direction of the Company.

"Fair Market Value" means the value of a share of Stock on a particular date determined by such methods or procedures as may be established by the Committee.

Unless otherwise determined by the Committee, the Fair Market Value of Stock as of any date is the closing price for the Stock as reported on the New York Stock Exchange (or on any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported. For purposes of awards effective as of the effective date of the Company's initial public offering, Fair Market Value of Stock shall be the price at which the Stock is offered to the public in its initial public offering.

"Incentive Option" means an Option that by its terms is to be treated as an "incentive stock option" within the meaning of Section 422 of the Code.

"Incentives" means awards made under this Plan of any of the following, or any combination of the following: (a) Options (including both Incentive Options and Nonstatutory Stock Options); (b) Stock Appreciation Rights; (c) Restricted Stock; and (d) Performance Shares.

"Nonstatutory Stock Option" means any Option that is not an Incentive Option.

"Option" means an option to purchase one or more shares of the Company's Stock.

"Participant" means any holder of an Incentive awarded under the Plan.

"Performance Criteria" means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria used to establish Performance Goals are limited to: pre- or after-tax net earnings, sales growth, operating earnings, operating cash flow, return on net assets, return on shareholders' equity, return on assets, return on capital, stock price growth, shareholder returns, gross or net profit margin, earnings per share, price per share of stock, and market share, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. In the case of Qualified Performance-Based Incentives, the Committee will, within the time prescribed by Section 162(m) of the Code, objectively define the manner of calculating the Performance Criteria it selects to use for such Performance Period for recipients of such Incentives.

"Performance Goals" means, for a Performance Period, the written goals established by the Committee for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of an Affiliate, Division or Participant.

"Performance Period" means the one or more periods of time, which may be of varying and overlapping durations, selected by the Committee, over which the attainment of one or more Performance Goals will be measured for purposes of determining a Participant's right to, and the payment of, an Incentive.

"Performance Shares" shall mean contingent awards granted by the Committee in shares of Stock, cash or any combination of Stock and Stock and cash, with such awards only paid if the Company, an Affiliate, or Division specified by the Committee meets Performance Goals established by the Committee.

"Plan" shall refer to the Long-Term Incentive Compensation Plan described in this document.

"Qualified Performance-Based Incentives" means awards of Incentives intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

"Restricted Stock" means shares of Stock granted to a Participant subject to a Risk of Forfeiture.

"Restriction Period" means the period of time, established by the Committee in connection with an award of Restricted Stock, during which the shares of Restricted Stock are subject to a Risk of Forfeiture described in the applicable award agreement.

"Risk of Forfeiture" means a limitation on the right of the Participant to retain Restricted Stock, including a right in the Company to reacquire shares of Restricted Stock at less than their then Fair Market Value, arising because of the occurrence or non-occurrence of specified events or conditions.

"Stock" shall refer to one or more shares of the Company's common stock.

"Stock Appreciation Right" means a right to receive any excess in the Fair Market Value of shares of Stock over a specified exercise price.

2. Incentives

Incentives under the Plan may be granted in any one or a combination of (a) Incentive Options (or other statutory stock option); (b) Nonstatutory Stock Options; (c) Stock Appreciation Rights; (d) Restricted Stock; and (e) Performance Shares. All Incentives shall be subject to the terms and conditions set forth herein and to such other terms and conditions as may be established by the Committee, except that the provisions of this Plan shall not apply retroactively to any Incentive issued before the effective date of this Plan. Determinations by the Committee under the Plan (including, without limitation, determinations as to the Eligible Employees; the form, amount and timing of Incentives; and the terms and provisions of agreements evidencing Incentives) need not be uniform and may be made selectively among Eligible Employees who receive, or are eligible to receive, Incentives, whether or not such Eligible Employees are similarly situated.

3. Administration

(a) Compensation Committee. The Plan shall be administered by the Compensation Committee. No person who makes or participates in making an award under this Plan, whether as a member of the Committee, a delegate of the Committee, or in any other capacity, shall make or participate in making an award to himself or herself. No director or person acting pursuant to the authority delegated by the Committee shall be liable for any action or determination relating to or under the Plan made in good faith.

(b) Powers of Committee. The Committee will have full discretionary power to administer the Plan in all of its details, subject to applicable requirements of law. For this purpose, in addition to all other powers provided by this Plan, the Committee's discretionary powers will include, but will not be limited to, the following discretionary powers:

(1) To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

(2) To interpret the Plan;

(3) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan, and the determination of whether a worker is an Eligible Employee shall be made in the sole and exclusive discretion of the Committee;

(4) To appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan;

(5) To delegate some or all of its power and authority to the Chief Executive officer, other senior members of management, or committee or subcommittee, as the Committee deems appropriate. However, the Committee may not delegate its authority with regard to any matter or action affecting an officer subject to Section 16 of the Securities Exchange Act of 1934;

(6) To impose such restrictions and limitations on any awards granted under the Plan as it may deem advisable, including, but not limited to share ownership or holding period requirements and requirements to enter into or to comply with confidentiality agreements and, to the extent allowed by law, non-competition and other restrictive or similar covenants.

(7) To correct any defect, supply any omission or reconcile any inconsistency in the Plan or any award made under the Plan in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency; and

(8) If the Committee determines that the amendment of an Incentive awarded under this Plan is in the best interest of a Participant, to amend any such Incentive without the consent of the Participant.

Any determination by the Committee or its delegate(s) shall be final, binding and conclusive on all persons, in the absence of clear and convincing evidence that the Committee or its delegates(s) acted arbitrarily and capriciously.

(c) Vesting Period. If applicable, the Committee shall determine the

vesting period for Incentives granted under this Plan and shall specify such vesting period in writing in making an award of an Incentive under this Plan. However, should the Committee award Options under this Plan without specifying a vesting period, then the vesting period shall be five years, with 20% of the Options to vest at the end of each calendar year following the award.

(d) Documentation of Award of Incentive. Each Incentive awarded under this Plan shall be evidenced in such written form as the Committee shall determine. Each award may contain terms and conditions in addition to those set forth in the Plan.

(e) Participants Outside the United States. The Committee may modify the terms of any Incentive granted under the Plan to a Participant who is, at the time of grant or during the term of the Incentive, resident or primarily employed outside of the United States. Such modification, which may be made in any manner deemed by the Committee to be necessary or appropriate, shall only be made in order that the Incentive shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Incentive to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of such an Incentive to a Participant who is resident or primarily employed in the United States. The Committee may establish supplements to, or amendments, restatements, or alternative versions of, the Plan for the purpose of granting and administrating any such modified Incentive. No such modification, supplement, amendment, restatement or alternative version may increase the share limits set forth in this Plan.

4. Eligibility/ Forfeiture in the Event of Termination for Cause

(a) Eligibility. Eligible Employees may receive Incentives under this Plan. Those directors who are not regular employees of the Company are not eligible to receive Incentives. Unless otherwise indicated in this Plan, consultants to the Company are also eligible to receive Incentives.

(b) Forfeiture. If the Company or one of its Affiliates terminates an Eligible Employee for Cause or cancels the engagement of a consultant for Cause, the Board, by written resolution, may, to the fullest extent allowed by law, cancel and/or cause the forfeiture of any unvested and/or unexercised Option and any unpaid Stock

Appreciation Right, unvested Performance Share, or Restricted Stock awarded to such Eligible Employee or consultant.

5. Qualified Performance-Based Incentives

(a) Applicability. This section will apply only to Covered Employees, or to those persons whom the Committee determines are reasonably likely to become Covered Employees in the period covered by an Incentive. The Committee may, in its discretion, select particular Covered Employees to receive Qualified Performance-Based Incentives. The Committee may, in its discretion, grant Incentives (other than Qualified Performance-Based Incentives) to Covered Employees that do not satisfy the requirements of this section.

(b) Purpose. As to any Covered Employee or person likely to become a Covered Employee during the period covered by an Incentive, the Committee shall have the ability to qualify any of the Incentives as "performance-based compensation" under Section 162(m) of the Code. If the Committee, in its discretion, decides to grant an Incentive as a Qualified Performance-Based Incentive, the provisions of this section will control over any contrary provision contained in the Plan. In the course of granting any Incentive, the Committee may specifically designate the Incentive as intended to qualify as a Qualified Performance-Based Incentive. However, no Incentive shall be considered to have failed to qualify as a Qualified Performance-Based Incentive solely because the Incentive is not expressly designated as a Qualified Performance-Based Incentive, if the Incentive otherwise satisfies the provisions of this section and the requirements of Section 162(m) of the Code and the regulations thereunder applicable to "performance-based compensation."

(c) Authority. All grants of Incentives intended to qualify as Qualified Performance-Based Incentives shall be made by the Committee or, if all of the members thereof do not qualify as "outside directors" within the meaning of applicable IRS regulations under Section 162 of the Code, by a subcommittee of the Committee consisting of such of the members of the Committee who do so qualify. Any action by such a subcommittee shall be considered the action of the Committee for purposes of the Plan. The Committee (or subcommittee, if necessary) shall also determine the terms applicable to Qualified Performance-Based Incentives.

(d) Discretion of Committee. Options may be granted as Qualified Performance-Based Incentives. The exercise price of any Option intended to qualify as a Qualified Performance-Based Incentive shall in no event be less that the Fair Market Value on the date of the grant of the Stock covered by the Option. With regard to other Incentives intended to qualify as Qualified

Performance-Based Incentives, the Committee will have full discretion to select the length of any applicable Restriction Period or Performance Period. Additionally, the Committee shall have full discretion to establish the Performance Criteria, the kind and/or level of the applicable Performance Goal, and whether the Performance Goal is to apply to the Company, Affiliate or Division or to the individual. Any Performance Goal or Goals applicable to Qualified Performance-Based

Incentives shall be objective, shall be established not later than ninety (90) days after the beginning of any applicable Performance Period (or at such other date as may be required or permitted for "performance-based compensation" under Section 162(m) of the Code), and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the Performance Goal or Goals be substantially uncertain (as defined in the regulations under Section 162(m) of the Code) at the time established.

(e) Payment of Qualified Performance-Based Incentives. A Participant will be eligible to receive payment under a Qualified Performance-Based Incentive that is subject to achievement of a Performance Goal or Goals only if the applicable Performance Goal or Goals are achieved within the applicable Performance Period, as determined by the Committee. In determining the actual size of an individual Qualified Performance-Based Incentive, the Committee may reduce or eliminate the amount of the Qualified Performance-Based Incentive earned for the Performance Period, if, in its sole and absolute discretion, such reduction or elimination is appropriate.

(f) Limitation of Adjustments for Certain Events. No adjustment of any Qualified Performance-Based Incentive shall be made except on such basis, if any, as will not cause such Incentive to provide other than "performance-based compensation" within the meaning of Section 162(m) of the Code.

6. Shares Available for Incentives and Limits on Incentives

(a) Maximum Shares. Subject to adjustment as provided in this Section 6, there is hereby reserved for issuance under the Plan up to 250,000 shares of Stock of the Company. If shares of Stock of the Company are split, then the number of shares reserved for issuance under the Plan shall be automatically adjusted to reflect such a stock split.

(b) Limit on an Individual's Incentives. In any given year, no Eligible Employee may receive Incentives covering more than 20% of the aggregate number of shares which may be issued pursuant to the Plan. Except as may otherwise be permitted by the Code, Incentive Options granted to an Eligible Employee during one calendar year shall be limited as follows: at the time the Incentive Options are granted, the Fair Market Value of the Stock covered by Incentive Options first exercisable by an Eligible Employee in any calendar year may not, in the aggregate, exceed $100,000. The maximum Qualified Performance-Based Incentive payment to any one Participant under the Plan for a Performance Period is 20% of the aggregate number of shares that may be issued pursuant to the Plan, or if the Qualified Performance-Based Incentive is paid in cash, that number of shares multiplied by the Fair Market Value of the Stock as of the date the Qualified Performance-Based Incentive is granted.

(c) Source of Shares. Shares under this Plan may be delivered by the Company from its authorized but unissued shares of Stock or from Stock held in the Company treasury. . There are no unexercised Options outstanding under the Original Incentive Plan. To the extent that shares of Stock subject to an outstanding award under

the Plan are not issued by reason of forfeiture, termination, surrender, cancellation, or expiration while unexercised; by reason of the tendering or withholding of shares to pay all or a portion of the exercise price or to satisfy all or a portion of the tax withholding obligations relating to the award; by reason of being settled in cash in lieu of shares or settled in a manner that some or all of the shares covered by the award are not issued to the Participant; or being exchanged for a grant under the Plan that does not involve Stock, then such shares shall immediately again be available for issuance under the Plan, unless such availability would cause the Plan to fail to comply with Rule 16b-3 under the Securities Exchange Act of 1934, or any other applicable law or regulation.

(d) Recapitalization Adjustment. In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, or any other change in the corporate structure or shares of the Company, the Committee shall make such adjustment, if any, as it may deem appropriate in the number and kind of shares authorized by the Plan; in the number and kind of shares covered by Incentives granted; in the price of Options; and in the Fair Market Value of Stock Appreciation Rights. No adjustment under this section or any other part of this Plan shall be made if: (1) it would cause an Incentive granted under this Plan as a Qualified Performance-Based Incentive to fail under Code 162(m), or (2) it would cause an Incentive granted as Incentive Option to fail to meet the criteria for Incentive Option.

7. Options

The Committee may grant options qualifying as Incentive Options under the Code, other statutory options under the Code, and Nonstatutory Options. Such Options shall be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe:

(a) Option Price. The option price per share with respect to each Option shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of the Company's Stock on the date the Option is granted; provided, however, that in the case of an Incentive Option granted to an Eligible Employee who, immediately prior to such grant, owns stock (either common or preferred) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or a subsidiary of the Company, the option price shall not be less than one hundred ten percent (110%) of the fair market value on the date of grant.

(b) Period of Option. The period of each Option shall be fixed by the Committee but shall not exceed ten (10) years.

(c) Payment. The Option price shall be payable in cash at the time the Option is exercised; provided, however, that in lieu of such cash the person exercising the Option may pay the option price in whole or in part by delivering Stock having a fair market value on the date of exercise of the Option equal to the option price for the shares being purchased. No shares shall be issued until full payment for such shares has been made. A

grantee of an Option shall have none of the rights of a shareholder until the shares are issued.

(d) Exercise of Option. So long as an Option grantee remains employed by the Company, the shares covered by an Option may be purchased in such installments and on such exercise dates as the Committee or its delegate may determine. In no event shall any Option be exercisable after its specified expiration period.

(e) Termination of Employment. Upon the termination of an Option grantee's employment (for any reason other than retirement, death or Cause) Option privileges shall be limited to the shares that were immediately exercisable at the date of such termination. The Committee, however, in its discretion, may provide that any Options outstanding but not yet exercisable upon the termination of an Option grantee's employment may become exercisable in accordance with a schedule to be determined by the Committee. Such Option privileges shall expire unless exercised or surrendered under a Stock Appreciation Right within such period of time after the date of termination of employment as may be established by the Committee, but in no event later than the expiration date of the Option. Incentive Options must, however, be exercised no later than three months after termination of employment, unless the Option grantee is disabled, in which case this three month period is extended to one year. If a Participant's employment or consulting assignment is terminated for Cause, all rights under the Option shall expire upon the Participant's receipt of the notice of such termination.

(f) Retirement. Upon retirement of an Option grantee, Option privileges shall apply to those shares immediately exercisable at the date of retirement. The Committee, however, in its discretion, may provide that any Options outstanding but not yet exercisable upon the retirement of an Option grantee may become exercisable in accordance with a schedule to be determined by the Committee. Option privileges shall expire unless exercised within such period of time as may be established by the Committee but in no event later than the expiration data of the Option.

(g) Death. Upon the death of an Option grantee, Option privileges shall apply to those shares that were immediately exercisable at the time of death. The Committee, however, in its discretion, may provide that any Options outstanding but not yet exercisable upon the death of an Option grantee may become exercisable in accordance with a schedule to be determined by the Committee. Such privileges shall expire unless exercised by legal representatives within a period of time as determined by the Committee but in no event later than the expiration date of the Option.

(h) Divorce. Incentive Stock Options transferred incident to divorce will cease to be statutory stock options on transfer.

(i) Cancellation of Options with No Value. Any person who receives a grant of Options under this Plan may be required, at the time the Options are awarded, to sign a consent allowing the Board, in its discretion, to cancel the Options if their Fair Market

Value decreases such that their exercise price is significantly above their Fair Market Value.

8. Stock Appreciation Rights

The Committee may, in its discretion, grant Stock Appreciation Rights either singly or in combination with an underlying Option granted hereunder. Such Stock Appreciation Rights shall be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe:

(a) Time and Period of Grant. If a Stock Appreciation Right is granted with respect to an underlying Option, it may be granted at the time of the Option or at any time thereafter but prior to the expiration of the Option. If a Stock Appreciation Right is granted with respect to an underlying Option, at the time the Stock Appreciation Right is granted, the Committee may limit the exercise period for such Stock Appreciation Right, before and after which period no Stock Appreciation Right shall attach to the underlying Option. In no event shall the exercise period for a Stock Appreciation Right exceed the exercise period for such Option. If a Stock Appreciation Right is granted without an underlying Option, the Committee shall set the period for exercise of the Stock Appreciation Right.

(b) Value of Stock Appreciation Right. If a Stock Appreciation Right is granted with respect to an underlying Option, the grantee will be entitled to surrender the Option that is then exercisable and receive in exchange an amount equal to the excess of the Fair Market Value of the Stock on the date the election to surrender is received by the Company over the Option price multiplied by the number of shares covered by the Options that are surrendered. If a Stock Appreciation Right is granted without an underlying Option, the grantee will receive upon exercise of the Stock Appreciation Right an amount equal to or exceeding the Fair Market Value of the Stock on the date the election to surrender such Stock Appreciation Right is received by the Company over the Fair Market Value of the Stock on the date of grant multiplied by the number of shares covered by the grant of the Stock Appreciation Right.

(c) Payment of Stock Appreciation Right. Payment of a Stock Appreciation Right shall be in the form of shares of Stock, cash, or any combination of Stock and Stock and cash. The form of payment upon exercise of such a right shall be determined by the Committee either at the time of grant of the Stock Appreciation Right or at the time of exercise of the Stock Appreciation Right.

9. Performance Shares

The Committee may grant Performance Shares to any Eligible Employee selected by the Committee in its sole discretion. Such Performance Shares shall be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe:

(a) Performance Period and Performance Goals. In granting Performances Shares, the Committee shall determine and specify the Performance Period. The Committee shall also establish Performance Goals to be met by the Company, Affiliate or Division during the Performance Period as a condition to payment of the Performance Share grant. The Performance Goals may include minimum and optimum objectives or a single set of objectives.

(b) Payment of Performance Shares. The Committee shall establish the method of calculating the amount of payment to be made under a Performance Share grant if the Performance Goals are met, including the fixing of a maximum payment. The Performance Share grant shall be expressed in terms of shares of Stock. After the completion of a Performance Period, the performance of the Company, Affiliate, or Division shall be measured against the Performance Goals, and the Committee shall determine whether all, none or any portion of a Performance Share grant shall be paid. The Committee, in its discretion, may elect to make payment in shares of Stock, cash or a combination of Stock and Stock and cash. Any cash payment shall be based on the Fair Market Value of Performance Shares on, or reasonably close to, the date of payment.

(c) Revision of Performance Goals. At any time prior to the end of a Performance Period, the Committee may revise the Performance Goals and the computation of payment if unforeseen events occur that have a substantial effect on the performance of the Company, Affiliate or Division and that in the judgment of the Committee make the application of the Performance Goals unfair unless a revision is made.

(d) Requirement of Employment. A grantee of Performance Shares must remain in the employment of the Company until the completion of the Performance Period in order to be entitled to payment under the Performance Share grant. However, the Committee may, in its sole discretion, provide for a partial payment where such an exception is deemed equitable.

(e) Dividends. The Committee may, in its discretion, at the time of the granting of Performance Shares, provide that any dividends declared on the Stock during the Performance Period, and that would have been paid with respect to Performance Shares had they been owned by a grantee, be (i) paid to the grantee, or (ii) accumulated for the benefit of the grantee and used to increase the number of Performance Shares of the grantee.

10. Restricted Stock

The Committee may award Restricted Stock to a grantee. All shares of Restricted Stock granted shall be subject to a Risk of Forfeiture as determined by the Committee, and shall additionally be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe:

(a) Requirement of Employment. A grantee of Restricted Stock must remain in the employment of the Company during the Restriction Period in order to retain the shares of Restricted Stock. If the grantee leaves the employment of the Company prior to the end of the Restriction Period, the Restricted Stock award shall terminate and the shares of Stock shall be returned immediately to the Company. However, the Committee may, at the time of the grant, allow the employment restriction to lapse with respect to a portion or portions of the Restricted Stock at different times during the Restriction Period. The Committee may, in its discretion, also provide for such complete or partial exceptions to the employment restriction as it deems equitable.

(b) Restrictions on Transfer and Legend on Stock Certificates. During the Restriction Period, the grantee may not sell, assign, transfer, pledge, or otherwise dispose of the shares of Stock except as expressly permitted in this Plan. Each certificate for shares of Stock issued hereunder shall contain a legend giving appropriate notice of the restrictions in the grant.

(c) Escrow Agreement. The Committee may require the grantee to enter into an escrow agreement providing that the certificates representing the Restricted Stock award will remain in the physical custody of an escrow holder until all restrictions are removed or expire.

(d) Lapse of Restrictions. All restrictions imposed on the Restricted Stock shall lapse upon the expiration of the Restriction Period if the conditions of the grant have been met. The grantee shall then be entitled to have the legend removed from the certificates.

(e) Dividends. The Committee shall, in its discretion, at the time the Restricted Stock is awarded, provide that any dividends declared on the Stock during the Restriction Period shall either be (i) paid to the grantee, or (ii) accumulated for the benefit of the grantee and paid to the grantee only after the expiration of the Restriction Period.

11. Acquisition and Change of Control Events

(a) Definitions

(1) "Acquisition Event" shall mean:

(i) Any merger or consolidation of the Company with or into another entity as a result of which the Company's Stock is converted into or exchanged for the right to receive cash, securities of the other entity, or other property; or

(ii) Any exchange of shares of the Company for cash, securities of another entity or other property pursuant to a statutory share exchange transaction.

(2) "Change of Control Event" shall mean:

(i) at least 35% of the capital stock of the Company ceases to the owned by the majority shareholder of the Company as of the date of adoption of this Plan, his wife, and/or their descendants by blood or adoption (collectively the "Majority Holders"); spouses or surviving spouses of members of the Majority Holders; trusts for the benefit of one or more members of the Majority Holders; entities controlled by one or more members of the Majority Holders or foundations established by the Majority Holders; or

(ii) any merger or consolidation that results in the voting securities of the Company outstanding immediately prior thereto representing immediately thereafter (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation; or

(iii) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 35% or more of either (A) the then-outstanding shares of Stock of the Company (the "Outstanding Company Stock"), or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"). However, for purposes of this subsection (iii), the following acquisitions shall not give rise to a Change of Control event: (A) any acquisition directly from the Company, (B) any

acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate, or (D) any acquisition by any corporation pursuant to a transaction that results in all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Stock and Outstanding Company Voting Securities immediately prior to such transaction beneficially owning, directly or indirectly, more than 50% of the then-outstanding shares of Stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such transaction (which shall include, without limitation, a corporation that as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such transaction, of the Outstanding Company Stock and Outstanding Company Voting Securities, respectively;

(iv) any sale of all or substantially all of the assets of the Company; or

(v) the complete liquidation of the Company.

(b) Effect on Options

(1) Acquisition Event. Upon the occurrence of an Acquisition Event (regardless of whether such event also constitutes a Change in Control Event), or the execution by the Company of any agreement with respect to an Acquisition Event (regardless of whether such event will result in a Change in Control Event), the Board shall provide that all outstanding Options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation (or an Affiliate thereof). However, if such Acquisition Event also constitutes a Change in Control Event, except to the extent specifically provided to the contrary in the instrument evidencing any Option or any other agreement between the Option holder and the Company, such assumed or substituted options shall be immediately exercisable in full upon the occurrence of such Acquisition Event. For purposes of this section, an Option shall be considered to be assumed if, following consummation of the Acquisition Event, the Option confers the right to purchase, for each share of Stock subject to the Option immediately prior to the consummation of the Acquisition Event, the consideration (whether cash, securities or other property) received as a result of the Acquisition Event by holders of Stock for each share of Stock held immediately prior to the consummation of the Acquisition Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock). However, if the consideration received as a result of the Acquisition Event is not solely Stock of the acquiring or succeeding corporation (or an Affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of Stock of the acquiring or succeeding corporation (or an Affiliate thereof) equivalent in Fair Market Value to the per share consideration received by holders of outstanding shares of Stock as a result of the Acquisition Event. Notwithstanding the foregoing, if the acquiring or succeeding corporation (or an Affiliate thereof), does not agree to assume such Options, or substitute equivalent options for such Options, then the Board shall, upon written notice to the Option holders, provide that all then unexercised Options will become exercisable in full as of a specified time prior to the Acquisition Event and will terminate immediately prior to the consummation of such Acquisition Event, except to the extent exercised by the Option holders before the consummation of such Acquisition Event. However, in the event of an Acquisition Event under the terms of which holders of Stock will receive upon consummation thereof a cash payment for each share of Stock surrendered pursuant to such Acquisition Event (the "Acquisition Price"), then the Board may instead provide that all outstanding Options shall terminate upon consummation of such Acquisition Event and that each Option holder shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (A) the Acquisition Price multiplied by the number of shares of Stock subject to such outstanding Options (whether or not then exercisable), exceeds (B) the aggregate exercise price of such Options.

(2) Change in Control Event that is not an Acquisition Event. Upon the occurrence of a Change in Control Event that does not also constitute an Acquisition Event, except to the extent specifically provided to the contrary in the instrument evidencing any Option or any other agreement between a Participant and the Company, all Options then-outstanding shall automatically become immediately exercisable in full.

(c) Effect on Restricted Stock

(1) Acquisition Event that is not a Change in Control Event. Upon the occurrence of an Acquisition Event that is not a Change in Control Event, the repurchase and other rights of the Company under each outstanding grant of Restricted Stock shall inure to the benefit of the Company's successor and shall apply to the cash, securities or other property into which the Stock was converted or for which it was exchanged pursuant to such Acquisition Event in

the same manner and to the same extent as such rights applied to the Stock subject to such Restricted Stock award.

(2) Change in Control Event. Upon the occurrence of a Change in Control Event (regardless of whether such event also constitutes an Acquisition Event), except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock award or any other agreement between a holder of a Restricted Stock award and the Company, all restrictions and conditions on all Restricted Stock awards then outstanding shall automatically be deemed terminated or satisfied.

(d) Effect on Other Awards

(1) Acquisition Event that is not a Change in Control Event. The Board shall specify the effect of an Acquisition Event that is not a Change in Control Event on any other Incentive granted under the Plan at the time of the grant of such Incentive.

(2) Change in Control Event. Upon the occurrence of a Change in Control Event (regardless of whether such event also constitutes an Acquisition Event), except to the extent specifically provided to the contrary in the instrument evidencing any other Incentive or any other agreement between an Incentive holder and the Company, all other Incentives shall become exercisable, realizable or vested in full, or shall be free of all conditions or restrictions, as applicable to each such Incentive. Additionally, upon the occurrence of a Change in Control Event (regardless of whether such event also constitutes an Acquisition Event), all Performance Shares or other performance-based awards shall be immediately payable based upon the extent, as determined by the Committee, to which the Performance Goals for the Performance Period then in progress have been met up through the date of the Change in Control or based on 100% of the value on the date of grant of the Performance Shares or other performance- based award, if such amount is higher.

12. Discontinuance or Amendment of the Plan

The Board may discontinue the Plan at any time and may from time to time amend or revise the terms of the Plan as permitted by applicable statutes, except that it may not revoke or alter, in a manner unfavorable to the grantees of any Incentives hereunder, any Incentives then outstanding, nor may the Board amend the Plan without shareholder approval where the absence of such approval would cause the Plan to fail to comply with Rule 16b-3 under the Securities Exchange Act of 1934, or any other applicable law or

regulation. No Incentive shall be granted under the Plan after April __, 2014, but Incentives granted prior to such date may extend beyond the date.

13. Nontransferability

Incentive Options granted under the Plan shall not be transferable except by will or the laws of descent and distribution. To the extent allowed by law, Nonstatutory Options may be transferable to certain family members or foundations for no value or other consideration. Each other Incentive granted under the Plan may be transferable subject to the terms and conditions as may be established by the Committee in accordance with regulations promulgated under the Securities Exchange Act of 1934, or any other applicable law or regulation.

14. No Right of Employment

The Plan and the Incentives granted hereunder shall not confer upon any Eligible Employee the right to continued employment with the Company, its Affiliates, or its joint ventures, or affect in any way the right of such entities to terminate the employment of an Eligible Employee at any time and for any reason. Neither shall the Plan and the Incentives granted hereunder confer on a consultant the right to continuation of his or her consulting agreement.

15. Taxes

The Company shall be entitled, at the time the Company deems appropriate under the law then in effect, to withhold the amount of any tax attributed to any Incentive granted under the Plan.

16. Governing Law

The provisions of this Plan and all awards made under this Plan shall be governed by and interpreted in accordance with the law of the State of Texas, without regard to applicable conflicts of law principles.

17. Miscellaneous

The provisions of this Plan shall be severable, and the invalidity of any particular provision of the Plan shall not cause the Plan as a whole to be invalid.

Adopted by the Board of Directors this 15th day of April, 2004.

EXHIBIT 10.11

W&T OFFSHORE, INC.

2004 DIRECTORS COMPENSATION PLAN

1. PURPOSE OF THE PLAN.

The purpose of the W&T Offshore, Inc. 2004 Directors Compensation Plan is to promote the interests of the Company and its shareholders by strengthening the Company's ability to attract, motivate and retain Directors of experience and ability, and to encourage the highest level of performance by providing Directors with a proprietary interest in the Company's financial success and growth.

2. DEFINITIONS.

2.1 "Award" means an award under the Plan, which may be an Option, a Restricted Stock Grant or a Stock Grant.

2.2 "Board" means the Board of Directors of the Company.

2.3 "Committee" means the Compensation Committee of the Board or a subcommittee thereof. The Committee shall consist of not fewer than two members of the Board of Directors, each of whom shall (a) qualify as a "non-employee director" under Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "1934 Act"), or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (collectively, "Section 162(m)").

2.4 "Common Stock" means the common stock, $.00001 par value per share, of the Company.

2.5 "Company" or "W&T Offshore" means W&T Offshore, Inc., a Texas corporation.

2.6 "Director" means a member of the Board who is not employed by the Company or any of its subsidiaries.

2.7 "Fair Market Value" means (i) if the Common Stock or other security is listed on an established stock exchange or any automated quotation system that provides sale quotations, the closing sale price for a share thereof on such exchange or quotation system on the applicable date, and if shares are not traded on such day, on the next preceding trading date, (ii) if the Common Stock or other security is not listed on any exchange or quotation system, but bid and asked prices are quoted and published, the mean between the quoted bid and asked prices on the applicable date, and if bid and asked prices are not available on such day, on the next preceding day on which such prices were available, and (iii) if the Common Stock or other security is not regularly quoted, the fair market value of a share thereof on the applicable date as established by the Committee in good faith.

2.8 "Option" means a stock option that does not satisfy the requirements of Section 422 of the Code to be an incentive stock option.

2.9 "Participant" means each Director (as defined in Section 2.6).

2.10 "Plan" means the W&T Offshore, Inc. 2004 Directors Compensation Plan as set forth herein and as amended, restated, supplemented or otherwise modified from time to time.

2.11 "Restricted Stock Grant" shall mean an award of Common Stock of the Company granted from time to time in the sole discretion of the Committee subject to various restrictions, vesting schedules and such other conditions on ownership as the Committee shall determine.

2.12 "Stock Grant" shall mean an award of Common Stock of the Company granted in full and unrestricted ownership from time to time in the sole discretion of the Committee.

3. SHARES OF COMMON STOCK SUBJECT TO THE PLAN.

3.1 The Company may issue up to 100,000 shares of Common Stock, subject to the adjustment provisions of Section 6, in Awards granted hereunder. Such shares may be either authorized but unissued shares or shares issued and thereafter acquired by the Company.

3.2 To the extent any shares of Common Stock (i) subject to an Option are not issued because the Option is forfeited or cancelled or (ii) subject to a Restricted Stock Grant are redeemed, forfeited, cancelled, repurchased or

otherwise retained by the Company, such shares shall again be available for grant pursuant to the Plan. If the exercise price of any Option granted under this Plan is satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by attestation), only the number of shares of Common Stock issued net of the shares of Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under the Plan.

4. ADMINISTRATION OF THE PLAN.

4.1 The Plan shall be administered by the Committee, which shall have the power to interpret the Plan and, subject to its provisions, to prescribe, amend and rescind Plan rules and to make all other determinations necessary for the Plan's administration.

4.2 All action taken by the Committee in the administration and interpretation of the Plan shall be final and binding upon all parties. No member of the Committee will be liable for any action or determination made in good faith by the Committee with respect to the Plan or any Option.

4.3 The Committee may grant Options or make Restricted Stock Grants or Stock Grants in its sole discretion.

5. TERMS AND CONDITIONS OF OPTIONS.

5.1 Unless exercisability is accelerated as provided in Sections 5.4 or 7.2 hereof, any Options shall become exercisable beginning one year following the date of grant.

5.2 Unless terminated earlier as provided in Section 5.5 or 7.3, the Options shall expire ten years following the date of grant.

5.3 The exercise price of the Options granted to Directors shall be equal to the Fair Market Value, as defined herein, of a share of Common Stock on the date of grant.

5.4 The Committee shall determine the vesting period for Options granted under this Plan and shall specify such vesting period in writing in making an award of an Option under this Plan. However, should the Committee award Options under this Plan without specifying a vesting period, then the vesting period shall be five years, with 20% of the Options to vest at the end of each calendar year following the award.

5.5 If a Director ceases to serve on the Board for any reason, the Options granted hereunder must be exercised, to the extent otherwise exercisable at the time of termination of Board service, within two years from the date of termination of Board service. Subject to Section 5.4 hereof, Options that are not exercisable at the time of termination of Board service shall be forfeited.

5.6 An Option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased. The exercise notice shall be accompanied by tender of the full purchase price for such shares, which may be paid or satisfied by (a) cash; (b) check; (c) delivery of shares of Common Stock, which shares shall be valued for this purpose at the Fair Market Value on the business day immediately preceding the date such option is exercised and, unless otherwise determined by the Committee, shall have been held by the optionee for at least six months; (d) delivery of irrevocable written instructions to a broker approved by the Company (with a copy to the Company) to immediately sell a portion of the shares issuable under the Option and to deliver promptly to the Company the amount of sale proceeds (or loan proceeds if the broker lends funds to the participant for delivery to the Company) to pay the exercise price; or (e) in such other manner as may be authorized from time to time by the Committee, provided that all such payments shall be made or denominated in United States dollars. In the case of delivery of an uncertified check, no shares shall be issued until the check has been paid in full. Prior to the issuance of shares of Common Stock upon the exercise of an Option, a Participant shall have no rights as a shareholder with respect to such Option.

5.7 Except for adjustments pursuant to Section 6 or actions permitted to be taken by the Committee under Section 8.3 in the event of a Change of Control, unless approved by the shareholders of the Company, (a) the exercise price for any outstanding Option granted under this Plan may not be decreased after the date of grant and (b) an outstanding Option that has been granted under this Plan may not, as of any date that such Option has a per share exercise price that is less than the then current Fair Market Value of a share of Common Stock, be surrendered

to the Company as consideration for the grant of a new Option with a lower

exercise price or any payment of cash or Common Stock.

5.8 Upon approval of the Committee, the Company may repurchase all or a portion of a previously granted Option from a Participant by mutual agreement before such option has been exercised by payment to the Participant of cash or Common Stock or a combination thereof with a value equal to the amount per share by which: (a) the Fair Market Value of the Common Stock subject to the Option on the business day immediately preceding the date of purchase exceeds (b) the exercise price.

6. ADJUSTMENT PROVISIONS.

In the event of any recapitalization, reclassification, stock dividend, stock split, combination of shares or other change in the Common Stock, all limitations on numbers of shares of Common Stock provided in this Plan, and the number of shares subject to outstanding Options, shall be equitably adjusted in proportion to the change in outstanding shares of Common Stock. In addition, in the event of any such change in the Common Stock, the Committee shall make any other adjustment that it determines to be equitable, including without limitation adjustments to the exercise price of any Option in order to provide Participants with the same relative rights before and after such adjustment.

7. TERMS AND CONDITIONS OF RESTRICTED STOCK.

The Committee may award Restricted Stock to a director. All shares of Restricted Stock granted shall be subject to a risk of forfeiture as determined by the Committee, and shall additionally be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe:

7.1 Requirement of Employment. A grantee of Restricted Stock must remain on the Board during the restriction period in order to retain the shares of Restricted Stock. If the director leaves the Board prior to the end of the restriction period, the Restricted Stock award shall terminate and the shares of Stock shall be returned immediately to the Company. However, the Committee may, at the time of the grant, allow the restrictions to lapse with respect to a portion or portions of the Restricted Stock at different times during the restriction period.

7.2 Restrictions on Transfer and Legend on Stock Certificates. During the restriction period, the director may not sell, assign, transfer, pledge, or otherwise dispose of the shares of Stock except as expressly permitted in this Plan. Each certificate for shares of Stock issued hereunder shall contain a legend giving appropriate notice of the restrictions in the grant.

7.3 Escrow Agreement. The Committee may require the grantee to enter into an escrow agreement providing that the certificates representing the Restricted Stock award will remain in the physical custody of an escrow holder until all restrictions are removed or expire.

7.4 Lapse of Restrictions. All restrictions imposed on the Restricted Stock shall lapse upon the expiration of the restriction period if the conditions of the grant have been met. The director shall then be entitled to have the legend removed from the certificates.

7.5 Dividends and Voting. Dividends declared on the Stock during the restriction period shall either be paid to the director. The director will be entitled to vote all shares of Restricted Stock during the restriction period.

8. CHANGE OF CONTROL.

8.1 "Change of Control Event" shall mean:

(a) at least 35% of the capital stock of the Company ceases to the owned by the majority shareholder of the Company as of the date of adoption of this Plan, his wife, and/or their descendants by blood or adoption (collectively the "Majority Holders"); spouses or surviving spouses of members of the Majority Holders; trusts for the benefit of one or more members of the Majority Holders; entities controlled by one or more members of the Majority Holders or foundations established by the Majority Holders; or

(b) any merger or consolidation that results in the voting securities of the Company outstanding immediately prior thereto representing immediately thereafter (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation; or

(c) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule

13d-3 promulgated under the Exchange Act) 35% or more of either (A) the then-outstanding shares of Stock of the Company (the "Outstanding Company Stock"), or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"). However, for purposes of this subsection (iii), the following acquisitions shall not give rise to a Change of Control event: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate, or (D) any acquisition by any corporation pursuant to a transaction that results in all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Stock and Outstanding Company Voting Securities immediately prior to such transaction beneficially owning, directly or indirectly, more than 50% of the then-outstanding shares of Stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such transaction (which shall include, without limitation, a corporation that as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such transaction, of the Outstanding Company Stock and Outstanding Company Voting Securities, respectively;

(d) any sale of all or substantially all of the assets of the Company; or

(e) the complete liquidation of the Company.

8.2 Effect on Options. Upon the occurrence of a Change in Control Event, each outstanding Option shall vest in full and shall become immediately exercisable. Any agreement with respect to a Change in Control Event must provide that all outstanding Options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation (or an Affiliate thereof), if applicable. For purposes of this section, an Option shall be considered to be assumed if, following consummation of the Change in Control Event, the Option confers the right to purchase, for each share of Stock subject to the Option immediately prior to the consummation of the Change in Control Event, the consideration (whether cash, securities or other property) received as a result of the Change in Control Event by holders of Stock for each share of Stock held immediately prior to the consummation of the Change in Control Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock). However, if the consideration received as a result of the Change in Control Event is not solely Stock of the acquiring or succeeding corporation (or an Affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of Stock of the acquiring or succeeding corporation (or an Affiliate thereof) equivalent in Fair Market Value to the per share consideration received by holders of outstanding shares of Stock as a result of the Change in Control Event. Notwithstanding the foregoing, if the acquiring or succeeding corporation (or an Affiliate thereof), does not agree to assume such Options, or substitute equivalent options for such Options, then the Board shall, upon written notice to the Option holders, provide that all then unexercised Options will become exercisable in full as of a specified time prior to the Change in Control Event and will terminate immediately prior to the consummation of such Change in Control Event, except to the extent exercised by the Option holders before the consummation of such Change in Control Event. However, in the event of an Change in Control Event under the terms of which holders of Stock will receive upon consummation thereof a cash payment for each share of Stock surrendered pursuant to such Change in Control Event (the "Acquisition Price"), then the Board may instead provide that all outstanding Options shall terminate upon consummation of such Change in Control Event and that each Option holder shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (A) the Acquisition Price multiplied by the number of shares of Stock subject to such outstanding Options (whether or not then exercisable), exceeds (B) the aggregate exercise price of such Options.

8.3 Effect on Restricted Stock . Upon the occurrence of a Change in Control Event, all restrictions and conditions on all Restricted Stock awards then outstanding shall automatically be deemed terminated or satisfied.

9. GENERAL PROVISIONS.

9.1 Nothing in the Plan or in any instrument executed pursuant to the Plan will confer upon any Participant any right to continue as a Director.

9.2 No shares of Common Stock will be issued or transferred pursuant to an Option unless and until all then-applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory

agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed, have been fully met. As a condition precedent to the issuance of shares pursuant to the exercise of an Option, the Company may require the Participant to take any reasonable action to meet such requirements.

9.3 No Participant and no beneficiary or other person claiming under or through such Participant will have any right, title or interest in or to any shares of Common Stock allocated or reserved under the Plan or subject to any Option except as to such shares of Common Stock, if any, that have been issued or transferred to such Participant.

9.4 No Options or Restricted Stock Awards granted hereunder may be transferred, pledged, assigned or otherwise encumbered by an optionee except:

(a) by will;

(b) by the laws of descent and distribution; or

(c) if permitted by the Committee and so provided in the stock option agreement or an amendment thereto, (i) pursuant to a domestic relations order, as defined in the Code, (ii) to Immediate Family Members (as defined below), (iii) to a partnership in which the Participant and/or the Participant's Immediate Family Members, or entities in which the Participant and/or the Participant's Immediate Family Members are the owners, members or beneficiaries, as appropriate, are the sole partners, (iv) to a limited liability company in which the Participant and/or the Participant's Immediate Family Members, or entities in which the Participant and/or the Participant's Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the sole members, or (v) to a trust for the benefit solely of the Participant and/or the Participant's Immediate Family Members. "Immediate Family Members" means the spouses and natural or adopted children or grandchildren of the Participants and their spouses.

Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Option or Restricted Stock Award or levy of attachment, or similar process upon an Option or Restricted Stock Award not specifically permitted herein, shall be null and void and without effect.

9.5 Each Option shall be evidenced by a written stock option agreement or notice, including terms and conditions consistent with the Plan, as the Committee may determine. Each Restricted Stock Award shall be accompanied by a written agreement including terms, conditions and restrictions consistent with the Plan, as the Committee may determine.

9.6 Anything in the Plan to the contrary notwithstanding: (a) the Company may, if it shall determine it necessary or desirable for any reason, at the time of grant of any Award or the issuance of any shares of Common Stock pursuant to any Option, require the recipient of the

Award, as a condition to the receipt thereof or to the receipt of shares of Common Stock issued pursuant thereto, to deliver to the Company a written representation of present intention to acquire the Award or the shares of Common Stock issued pursuant thereto for his or her own account for investment and not for distribution; and (b) if at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Award or the shares of Common Stock issuable pursuant thereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the grant of any Award, the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such Award shall not be granted or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

10. AMENDMENTS, DISCONTINUANCE OR TERMINATION OF THE PLAN.

10.1 The Board may amend or discontinue the Plan at any time; provided, however, that no such amendment may:

(a) without the approval of the shareholders, (i) increase, subject to adjustments permitted herein, the maximum number of shares of Common Stock that may be issued through the Plan, (ii) materially increase the benefits accruing to Participants under the Plan, (iii) materially expand the classes of persons eligible to participate in the Plan, or (iv) amend Section 5.7 to permit repricing of Options; or

b) materially impair, without the consent of the recipient, an Option previously granted or a Restricted Stock Grant previously made, except that the Company retains all rights under Section 8 hereof.

10.2 The Plan shall automatically terminate at such time as no shares of Common Stock remain available for issuance through the Plan. No termination of the Plan will affect the terms of any outstanding Options or shares of Restricted Stock.

11. EFFECTIVE DATE OF PLAN.

The Plan shall become effective upon adoption by the Board, subject to approval by the holders of a majority of the shares of Common Stock and the Company's Series A Preferred Stock.

IN WITNESS WHEREOF, the undersigned Assistant Secretary of W&T Offshore, Inc. hereby certifies that the foregoing W&T Offshore 2004 Directors Compensation Plan was (i) approved by the Board in a Unanimous Consent of Directors dated as of April 26, 2004, and (ii) approved by the unanimous consent of the holders of all of the Company's outstanding shares of stock.

Dated: April 26, 2004

/s/ W. Reid Lea
- ----------
Name: W. Reid Lea
Title: Assistant Secretary

EXHIBIT 10.12

EXECUTION COPY

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W&T OFFSHORE, INC.

2,000,000 SHARES OF SERIES A PREFERRED STOCK

EXCHANGE AGREEMENT

DATED AS OF NOVEMBER 25, 2002

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SCHEDULE

Schedule 1 - List of Purchasers and Number of Series A Preferred Stock to be Issued and Number of W&T Common Stock to be Exchanged

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Schedule		Section
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7.6	-	Operation of Business
7.9	-	Additional Covenants

EXCHANGE AGREEMENT, dated as of November 25, 2002 (this "Agreement"), is entered into by and among W&T Offshore, Inc., a Nevada corporation ("W&T"), and the persons named on the signature pages of this Agreement as purchasers (each, a "Purchaser" and collectively, the "Purchasers"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Stockholders' Agreement by and among W&T and each of its stockholders (the "Stockholder's Agreement") attached hereto as Exhibit A.

WHEREAS, prior to the Closing (as hereinafter defined in Section 2.2), the Purchasers shall have purchased 1,000 shares of W&T Common Stock (as hereinafter defined in Section 3.1(c)) from William C. Bethea for an aggregate purchase price of $50,000,000 in contemplation of exchanging such shares of W&T Common Stock for Series A Preferred Stock (as defined below) of W&T at the Closing; and

WHEREAS, prior to the Closing, W&T will amend and restate its Articles of Incorporation to correspond to Exhibit B attached hereto, with such changes as are necessary to conform to the Stockholders' Agreement (the "Articles of Incorporation") authorizing a new class of preferred stock (the "Series A Preferred Stock");

WHEREAS, the Purchasers wish to exchange their 1,000 shares of W&T Common Stock for, and W&T wishes to issue to the Purchasers in exchange therefor, an aggregate of 2,000,000 Series A Preferred Stock of W&TZZZZZ ; and

WHEREAS, the Purchasers and W&T desire to provide for such issuance and exchange and to establish various rights and obligations in connection therewith.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein set forth, the parties hereto agree as follows:

ARTICLE I

AUTHORIZATION, ISSUANCE AND EXCHANGE OF THE SERIES A PREFERRED STOCK

1.1 Authorization of the Series A Preferred Stock. Prior to the Closing, W&T will have filed the Articles of Incorporation with the Secretary of State of the State of Nevada setting forth, among other things, terms of the Series A Preferred Stock.

1.2 Issuance of the Series A Preferred Stock. Subject to the terms and conditions hereof and in reliance on the representations and warranties contained herein, or made pursuant hereto, W&T will issue to each Purchaser, and such Purchaser will acquire from W&T, in exchange for all of such Purchaser's shares of W&T Common Stock, at the Closing Time (as hereinafter defined in Section 2.2), the number of shares of Series A Preferred Stock set forth opposite the name of such Purchaser on Schedule 1 attached hereto.

ARTICLE II

CLOSING

2.1 Stockholder Consent. Prior to January 2, 2003, the Purchasers shall deliver to W&T a Stockholder Consent, executed by the Purchasers, in the form of Exhibit J hereto.

2.2 Bethea Purchase Agreement. Immediately prior to the Closing, the Purchasers shall execute and deliver the Bethea Purchase Agreement (attached hereto as Exhibit E).

2.3 Closing. The closing of the exchange of shares of W&T Common Stock for the Series A Preferred Stock (the "Closing") will take place at the offices of W&T, 8 Greenway Plaza, Suite 1300, Houston, Texas 70046 at 10:00 a.m., local time, on January 2, 2003 if all of the conditions to the obligations of the parties hereunder set forth in Article V and VI hereof which are capable of being satisfied prior to the Closing Time have been satisfied or waived, or such other time, date and place as shall be mutually agreed to by W&T and FS Private Investments III LLC, on behalf of the Purchasers. Such time and date are hereinafter referred to as the "Closing Time."

2.4 Deliveries. At the Closing, W&T will deliver to each Purchaser a certificate or certificates (in definitive form) in such denominations and registered in the name of such Purchaser (or in the name of such Purchaser's nominee) representing the Series A Preferred Stock to be acquired by such Purchaser against surrender to W&T of the shares of W&T Common Stock to be held by the Purchasers as set forth on Schedule 1, by delivery to W&T of stock certificates representing all such shares, duly endorsed in blank or accompanied by stock powers duly endorsed in blank.

2.5 Transaction Expenses. At the Closing, W&T shall remit to the Purchasers the entire amount of the Transaction Expenses (as hereinafter defined in Section 12.10).

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF W&T

3.1 Representations and Warranties Relating to W&T. For purposes of the representations and warranties contained in this Section 3.1, W&T shall be deemed to include, unless the context otherwise requires, W&T and W&T Holdings, LLC and no other subsidiaries of W&T. Specifically, W&T shall not include W&T Offshore, LLC or the three subsidiaries of W&T formed to acquire certain assets, liabilities, business or prospects associated with the assets of Burlington Resources Offshore, Inc. ("Burlington") that W&T proposes to acquire pursuant to the Burlington Agreement (as hereinafter defined). W&T represents and warrants to the Purchasers on the date hereof and on the Closing Time to the following effects. When used in this Agreement unless expressly stated otherwise, the phrase "to the knowledge of W&T" shall mean what is actually known by Tracy W. Krohn and W. Reid Lea, or what either of them would reasonably be expected to know in view of his position as the chief executive officer and chief financial officer, respectively, of a business organization similar to W&T. Any matter set forth

on any schedule as an exception to one representation and warranty shall be deemed to be included on every other schedule that would be applicable to such

matter to the extent such other exception is reasonably apparent.

(a) Organization and Existence, etc. W&T (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, and has all requisite power and authority to own, lease and operate its properties and to carry on its business as now conducted and proposed to be conducted, and (ii) is duly qualified to do business as a foreign corporation and is in good standing (or the equivalent thereof under applicable law) in each jurisdiction in which the conduct of its business requires such qualification by reason of the ownership or leasing of property or otherwise (except for those jurisdictions in which the failure so to qualify has not had and will not have a W&T Material Adverse Effect). "W&T Material Adverse Effect" means any development, change or effect or any series of related developments, changes or effects that would be reasonably expected to impact the financial condition or results of operations of W&T by at least $10,000,000. W&T has furnished the Purchasers with true, correct and complete copies of the articles of incorporation and By-laws (including any amendments to date of any thereof) of W&T, each as in full force and effect on the date hereof.

(b) Subsidiaries, etc. Except for those described on Schedule 3.1(b), (i) W&T has no subsidiaries and owns no securities of other entities, and (ii) all issued and outstanding shares of capital stock or other equity ownership interests of W&T's subsidiaries have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights and are owned by W&T or a direct or indirect wholly-owned subsidiary of W&T, free and clear of all Liens. As used herein, "Lien" means any lien, pledge, claim, option, charge, easement, security interest, financing statement, right-of-way, encumbrance or other right of any third party.

(c) Capitalization.

(i) As of the date hereof, (A) W&T's authorized capital stock consists of: 100,000 shares of common stock, $.01 par value per share ("W&T Common Stock"), of which 3,900 shares are validly issued and outstanding, fully paid and nonassessable; and (B) W&T has outstanding the securities set forth on Schedule 3.1(c)(i), which are convertible into or exercisable or exchangeable for W&T Common Stock (the "W&T Derivative Securities"). From the date hereof to the Closing Time, there will be no changes in such authorized capital stock or W&T Derivative Securities, except as contemplated by this Agreement. At the Closing, after giving effect to the redemption of the W&T Common Stock from William C. Bethea, a 2,911.48115 stock-for-stock dividend to be effected immediately prior to the Closing Time, W&T's issuance of the Series A Preferred Stock contemplated hereby and the issuance of the shares of Common Stock to Jefferies & Company, Inc., as set forth on Schedule 1, W&T's authorized capital stock shall consist of 20,000,000 shares of Common Stock, of which 7,601,536 shall be validly issued and outstanding, fully paid and nonassessable, and of which 2,000,000 shall be reserved for issuance upon conversion of the Series A Preferred Stock and (ii) 2,000,000 shares of Series A Preferred Stock, all of which will be validly issued and outstanding.

(ii) Schedule 3.1(c)(ii) lists each of the shareholders and other security holders of record of W&T (other than the Purchasers and Jefferies & Company, Inc.) and the number of shares and other securities so held as of the date hereof and as of the Closing Time. At the Closing, all the issued and outstanding shares of capital stock of W&T will be free of preemptive and similar rights (except as provided in Section V of the existing Stockholders' Agreement of W&T, a copy of which has been delivered to the Purchasers) and will have been and will be offered, issued, sold and delivered by W&T in transactions in compliance with applicable federal, state and foreign securities laws. There are no outstanding agreements or commitments requiring W&T to issue capital stock or W&T Derivative Securities, except for this Agreement, W&T's obligations to issue 31,685 shares of W&T's Common Stock to Jefferies & Company, Inc. and up to 505,344 shares of Common Stock as contemplated by the Long-Term Incentive Compensation Plan.

(d) Authorization; Binding Obligations.

(i) Subject to the ratification to be provided by the Board of Directors of W&T prior to the Closing Time, and subject to the approval of the stockholders of W&T as set forth on Exhibit J and as otherwise set forth on Schedule 3.1(d), W&T has full right, power and authority to execute and deliver this Agreement, and such other documents furnished or to be furnished by W&T hereunder, including the Stockholders' Agreement, and, subject to and in accordance with the terms hereof and of the Stockholder's Agreement, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. This Agreement, the Stockholders' Agreement and each of the other agreements required to be delivered hereunder or thereunder to which W&T is a party will be prior to the Closing Time, duly authorized, executed and delivered by W&T, and each constitutes, or will constitute when executed and delivered, a legal, valid and binding agreement of W&T, enforceable against W&T in accordance with its terms, subject to

bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity. Subject to the foregoing, the compliance by W&T with the provisions of this Agreement, the Stockholders' Agreement or any of the other agreements required to be delivered hereunder to which it is a party, and the consummation of the other transactions herein or therein contemplated will not result in the creation or imposition of any Lien upon any of the assets of W&T pursuant to the terms or provisions of, or result in a breach or violation of or conflict with any of the terms or provisions of, or constitute a default under, or give any other party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, (i) the Articles of Incorporation and/or By-laws or other governing instruments of W&T, (ii) any contract or other agreement to which W&T is a party or by which W&T or any of its properties is bound or affected, or (iii) any judgment, ruling, decree, order, statute, rule or regulation (except state securities laws) of any court or other governmental agency or body, domestic or foreign, applicable to the business or properties of W&T.

(ii) The Series A Preferred Stock to be issued to the Purchasers shall be duly authorized for issuance prior to the Closing, and, when issued and delivered in accordance with the provisions of this Agreement, shall be validly issued and outstanding, fully paid and nonassessable, will be free of preemptive rights and free and clear of any Liens (other

than as set forth in the Stockholders' Agreement) and will have the designations, preferences and relative, participating, optional and special rights as set forth in the Articles of Incorporation.

(iii) The shares of W&T Common Stock issuable upon conversion of the Series A Preferred Stock (the "Conversion Shares") shall be duly authorized and reserved for issuance prior to the Closing, and when issued and delivered in accordance with the provisions of the Articles of Incorporation, will be validly issued and outstanding, fully paid and nonassessable and will be free of preemptive rights and granted clear of any Liens (other than as set forth in the Stockholders' Agreement).

(e) Compliance with Instruments, etc. W&T is not in breach or violation of, or in default under, any term or provision of (i) its organizational and governing documents, (ii) any indenture, mortgage, deed of trust, voting trust agreement, shareholders agreement, note agreement or other agreement or instrument to which it is a party or by which it is or may be bound or to which any of its property or assets is or may be bound or affected, or any indebtedness, the effect of which breach or default, individually or in the aggregate, may have a W&T Material Adverse Effect, or (iii) any statute, judgment, decree, order, rule or regulation applicable to W&T or of any arbitrator, court, regulatory body, administrative agency or any other governmental agency or body, domestic or foreign, having jurisdiction over W&T or any of its respective activities or properties and the effect of which breach or default, individually or in the aggregate, would have a W&T Material Adverse Effect.

(f) Litigation. Except as set forth on Schedule 3.1(f), there has been no action, suit, proceeding, arbitration or investigation against W&T (i) since January 1, 1992 but prior to January 1, 1997 which resulted in a judgment or settlement involving in excess of $10,000,000 or (ii) since January 1, 1997. Except as set forth on Schedule 3.1(f), there is no action, suit, proceeding, arbitration or investigation pending, or, to the knowledge of W&T, threatened, against W&T before or by any court, regulatory body, arbitration proceeding, or administrative agency or any other governmental agency or body, domestic or foreign, or any action, suit, proceeding, arbitration or investigation pending, or, to the knowledge of W&T, threatened, which (1) challenges the validity of any action taken or to be taken pursuant to or in connection with this Agreement or the consummation of the transactions contemplated hereunder, including the issuance of the Series A Preferred Stock to the Purchasers or (2) if adversely decided, could have a W&T Material Adverse Effect. W&T has either furnished the Purchasers with true, correct and complete copies of all material documentation related to the matters listed on Schedule 3.1(f), or has permitted representatives of the Purchasers to discuss such matters with attorneys for W&T. Except as set forth on Schedule 3.1(f), W&T is not subject to any judgment, order, writ, injunction, assessment, notice, claim or decree of any governmental entity that has had or would be reasonably expected to have a W&T Material Adverse Effect.

(g) Financial Statements. W&T has previously delivered to the Purchasers true, correct and complete copies of its financial statements (on a consolidated and consolidating basis) as at and for the years ended December 31, 1999, 2000 and 2001, and as at and for the nine-month period ended September 30, 2002 or such later period as may be available (such

interim financial statements being referred to as the "Interim W&T Financial Statements" and all such financial statements being collectively referred to as the "W&T Financial Statements"). A true, correct and complete copy of the Interim W&T Financial Statements are set forth on Schedule 3.1(g). The W&T Financial Statements have been prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied, and fairly present the financial position of W&T as of the dates thereof and the results of its consolidated operations and cash flows for the periods then ended. The W&T Financial Statements (except for the Interim W&T Financial Statements) have been audited by Ernst & Young LLP who are independent public accountants within the meaning of the Securities Act and the rules and regulations promulgated thereunder and they have expressed an opinion thereon. Except as set forth on the balance sheet included in the Interim W&T Financial Statements or on Schedule 3.1(g), W&T has no liabilities or obligations of any nature (absolute, accrued, contingent or otherwise) (i) that would normally be required to be reflected on a balance sheet or disclosed in the notes thereto in accordance with GAAP consistently applied, except for liabilities incurred since the date of such balance sheet in the ordinary course of business or (ii) to any officer, director, shareholder or employee of W&T.

(h) Taxes.

(i) Except as set forth on Schedule 3.1(h)(i), (A) all Tax (as hereinafter defined) returns and reports (including information returns, declarations and reports) and amended or substituted returns and reports required to be filed with any Taxing Authority (as hereinafter defined) by or on behalf of W&T (collectively, the "W&T Tax Returns" and singularly, a "W&T Tax Return"), have been or will be duly and timely filed when due in accordance with all applicable laws (including any extensions of such due date); (B) as of the time of filing, the W&T Tax Returns correctly reflected (and, as to any W&T Tax Returns not filed as of the date hereof, will correctly reflect) in all material respects the income or other measure of Tax and any other information required to be shown therein; (C) all Taxes shown or required to be shown as due and payable on the W&T Tax Returns have been timely paid or withheld (or, with respect to returns that have not yet been filed, adequate provision has been made therefor); (D) the charges, accruals and reserves for deferred and contingent Taxes reflected on the Interim W&T Financial Statements are adequate to cover all Taxes that are or may become payable by W&T with respect to all periods covered by such financial statements, and the books and records of W&T will contain accruals and reserves in the amount set forth on Schedule 3.1(h)(i) adequate to cover all Taxes that are or may become payable by W&T for all periods ending on or prior to the Closing; (E) W&T is not delinquent in the payment of any Tax and has not requested any extension of time within which to file any W&T Tax Return, which W&T Tax Return either has not since been filed or with respect to which such extended period has not yet expired; (F) there are no pending or, to the knowledge of W&T, threatened audits, investigations, claims, administrative or judicial proceedings, or collection actions against or with respect to W&T in respect of any Tax or assessment; (G) there are no Liens for Taxes upon the assets of W&T except Liens for current Taxes not yet due; (H) W&T has not and is not required to file Tax Returns in any jurisdiction outside of the United States of America; and (I) Schedule 3.1(h)(i) sets forth the taxable years of W&T as to which audits have been completed, those years which are currently under audit, those years for which audits have not been initiated,

and those years for which required W&T Tax Returns have not yet been filed. As used herein, (x) "Tax" or "Taxes" means (1) all forms of taxation, charges, levies or other assessments, whether direct or indirect and whether levied by reference to net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, franchise, profits, license, withholding (whether with respect to receipts or payments), payroll, privilege, employment, excise, severance, capital gains, transfer gains, stamp, occupation, premium or similar tax measured by insurance premiums, real and personal property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, and any interest or any penalty, addition to tax or additional amount, imposed by any Taxing Authority, (2) liability, whether to a Taxing Authority or pursuant to an agreement with or legal obligation to any person or entity, for the payment of any amounts of the type described in clause (1) of this definition as a result of being a member of an affiliated, consolidated, combined or unitary group for any taxable period or being an electing "S corporation" as defined in Section 1361 of the Internal Revenue Code of 1986, as amended (the "Code"), or a stockholder thereof, and (3) liability for the payment of any amounts of the type described in clause (1) or (2) of this definition as a result of an obligation to indemnify any other person and (y) "Taxing Authority" means a governmental entity or authority responsible for and having requisite jurisdiction with respect to the imposition of Taxes.

(ii) W&T's payroll, property or receipts, or other factors used in a particular state's apportionment or allocation formula, do not result in an apportionment or allocation of business income to any state other than the States listed in Schedule 3.1(h)(ii), and W&T has no nonbusiness income

that is allocated, apportioned or otherwise sourced to any state other than such States.

(iii) Except as qualified on Schedule 3.1(h)(iii), but subject to W&T's actual knowledge to the contrary, (A) W&T is treated for federal income tax purposes as a Subchapter "S" corporation, within the meaning of Sections 1361 et seq. of the Code, and all distributions have been made pro rata to the stock ownership of the shareholders for the respective periods shown on Schedule 3.1(h)(iii), and (B) W&T and its stockholders have made a properly filed and executed election to be treated for federal income tax purposes as a Subchapter "S" corporation, within the meaning of Sections 1361 et seq. of the Code, for all tax periods shown on Schedule 3.1(h)(iii) through the date hereof, and have made an equivalent election for purposes of Taxes imposed by each state in which W&T is required to file a W&T Tax Return. Each Purchaser acknowledges and agrees that W&T's Subchapter "S" election will be revoked on or immediately prior to the Closing.

(iv) Schedule 3.1(h)(iv) sets forth (A) all assumptions used by W&T in calculating the 2002 income taxes of its shareholders with respect to the actual and projected profits of W&T in 2002; (B) the amount of tax distributions made by W&T to its stockholders as of the date of this Agreement with respect to 2002 profits of W & T; and (C) the amount of additional tax distributions that W&T estimates will be necessary in order to permit W&T shareholders to pay all taxes due with respect to W&T's 2002 profits. The anticipated tax distributions of W&T set forth on Schedule 3.1(h)(iv) have not been included in the Interim

W&T Financial Statements. Schedule 3.1(h)(iv) sets forth a reasonable estimate of such additional tax liability.

(v) Except as set forth on Schedule 3.1(h)(v), W&T shall bear full responsibility for the payment of any and all Taxes which are owed by it that have not been reserved for on the Interim W&T Financial Statements and for any and all Taxes owed in connection with its operations for 2002, up to and including the Closing. W&T shall have no responsibility, and the W&T shareholders shall bear full responsibility, for the payment of any and all Taxes which are owed by the W&T shareholders by reason of their ownership of stock in W&T. Except as set forth on Schedule 3.1(h)(v), W&T shall have no responsibility, and none of its assets, properties, rights or business shall be subject to any Lien, for the payment of any and all Taxes which are owed by the W&T shareholders by reason of their ownership of stock in W&T.

(i) Permits; Governmental and Other Approvals. To the knowledge of W&T, and except as set forth on Schedule 3.1(i), W&T has such licenses, permits, consents, orders, approvals and other authorizations necessary for the conduct of its business as now being conducted and proposed to be conducted by W&T. Except as set forth in Schedule 3.1(i), no approval, consent, authorization or other order of, and no designation, filing, registration, qualification or recording with any governmental authority, domestic or foreign, is required for W&T's performance of this Agreement or the consummation of the transactions contemplated hereby.

(j) Sales Representatives, Customers and Key Employees. To the knowledge of W&T, except as set forth on Schedule 3.1(j), no employee of, or party or person providing services to W&T has any intention to terminate his, her or its relationship with W&T, or, in the case of employees, leave the employ of W&T. Except as contemplated by this Agreement, all personnel of W&T are employed on an "at will" basis and may be terminated upon notice of not more than 30 days.

(k) Intellectual Property.

(i) Except for those matters disclosed on Schedule 3.1(k), to the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, W&T has full and exclusive right, title and interest in and to, or license rights to, or other rights to use, all patents, patent applications, registered or unregistered trademarks, service marks and trade names, registered or unregistered copyrights and applications therefor, licenses, approvals or governmental authorizations to conduct its business as now conducted, know-how, proprietary rights and processes, trade secrets, customer lists, methodologies, proprietary development and marketing information and know-how, inventions, inventors' notes (to the extent such notes exist), drawings, software, databases, geological data, geophysical data, engineering data, maps, interpretations, lease, land, title and other files, records and other similar information, subject to the limitations contained in the agreements governing the use of the same, which limitations are customary for companies engaged in the business of the exploration or production of oil, gas, condensate, related hydrocarbons, and other minerals

produced from the properties comprising the Oil and Gas Interests (as hereinafter defined), including oil in storage (the "Hydrocarbons"), designs associated with the foregoing, and other technical and/or confidential information (collectively, "W&T Intellectual Property") relating to its business as presently conducted and proposed to be conducted by W&T or otherwise used in or necessary for the proper conduct of its business, free and clear of all Liens and Encumbrances, other than Permitted Encumbrances (as such terms are hereinafter defined); and W&T has no obligation to any other person with respect to the W&T Intellectual Property or any product or process of W&T utilizing or embodying any W&T Intellectual Property. There are no limitations contained in agreements of the type described in this Section 3.1(k) which in any way relate to the W&T Intellectual Property which, upon consummation of the transactions contemplated by this Agreement, will materially alter or impair any such rights, materially breach any such agreement with any third party vendor, or require payments of additional sums thereunder. W&T is in compliance in all material respects with such licenses and agreements and there are no pending or, to the knowledge of W&T, threatened proceedings challenging or questioning the validity or effectiveness of any license or agreement relating to such property or the right of W&T or any subsidiary to use, copy, modify or distribute the same.

(ii) W&T does not have any patents or patent applications nor are any patents or patent applications required for the conduct of its business as now conducted.

(iii) To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, there is (A) no infringement, misuse or misappropriation of any W&T Intellectual Property owned, licensed or controlled by any third party arising out of any business activities now or previously conducted by or on behalf of W&T, (B) no pending or, to the knowledge of W&T, threatened claim or challenge of or proceeding for infringement, misuse or misappropriation of or interference with any W&T Intellectual Property owned, licensed or controlled by any third party arising out of any business activities now or previously conducted by or on behalf of W&T, (C) no pending or threatened or potential claim, challenge or proceeding by W&T against any third party for infringement, misuse or misappropriation of or interference with any W&T Intellectual Property owned, licensed or controlled by W&T or (D) no notice or, to the knowledge of W&T, facts or information rendering any W&T Intellectual Property owned, controlled or licensed by W&T invalid or unenforceable, nor, to the knowledge of W&T, is there any allegation that any such W&T Intellectual Property is invalid or unenforceable.

(l) Material Agreements. Except as set forth in Schedule 3.1(l), W&T has no currently existing contract, obligation, agreement, plan, arrangement, commitment or the like (written or oral) of any material nature, including, without limitation, the following, exclusive of Basic Oil and Gas Documents (as hereinafter defined):

(i) Employment, bonus or consulting agreements, pension, profit sharing, deferred compensation, incentive compensation, stock bonus, retirement, stock option, stock or similar plans, including agreements evidencing rights to purchase securities of W&T and agreements among shareholders and W&T or an "employee benefit plan" as that term is

defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA");

(ii) Loan or other agreements, notes, indentures, or instruments relating to or evidencing indebtedness for borrowed money, or mortgaging, pledging or granting or creating a Lien on any of W&T's property or any agreement or instrument evidencing any guaranty by W&T of payment or performance by any other person requiring the payment of more than $1,000,000;

(iii) Agreements with dealers, sales representatives, brokers or other distributors, jobbers, advertisers or sales agencies;

(iv) Agreements with any labor union or collective bargaining organization or other labor agreements;

(v) Any contract or series of contracts with the same person for the furnishing or purchase of machinery, equipment, goods or services involving sums in excess of $1,000,000;

(vi) Any indenture, agreement or other document (including private placement brochures) relating to the sale or repurchase of shares;

(vii) Any joint venture contract or arrangement or other agreement involving a sharing of profits or expenses to which W&T is a party;

(viii) Agreements limiting the freedom of W&T to compete in any line of business or in any geographic area or with any person;

(ix) Agreements providing for disposition of the business, assets or shares of W&T, agreements of merger or consolidation to which W&T is a party or letters of intent with respect to the foregoing;

(x) Letters of intent or agreements with respect to the acquisition of the business, assets or shares of any other business; and

(xi) Insurance policies, health insurance plans, medical plans or any other benefit plans.

W&T has made available to the Purchasers for their review a true, correct and complete copy of each of the contracts that are referred to on Schedule 3.1(l), together with all material amendments, waivers or other changes to all such documents.

W&T, and to W&T's knowledge, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters (including W&T's landman, Jamie Vasquez (the "W&T Landman")), each other party or obligor thereto, has complied with all the material provisions of all contracts, obligations, agreements, plans, arrangements, and commitments and

is not in default thereunder, except for defaults in any one case or in the aggregate that would not have a W&T Material Adverse Effect. Each employee benefit plan has been administered and operated in compliance in all material respects with the applicable requirements of ERISA and the Code. Each such contract, obligation, agreement, plan, arrangement and commitment is in full force and effect, except as indicated on Schedule 3.1(l), and W&T has no reason to believe that any such contract, obligation, agreement, plan, arrangement and commitment will be terminated prior to its expiration date.

(m) Insurance. Except as set forth on Schedule 3.1(m), W&T has in full force and effect insurance (including, but not limited to property and casualty insurance, environmental liability insurance and errors and omissions insurance), in such amounts and coverages with currently active syndicates at Lloyd's, London and other insurance markets that, in the reasonable judgment of the chief executive officer and the chief financial officer of W&T, is adequate to protect W&T and its financial condition against such losses and risks and in such amounts and with such deductibles as are prudent and customary in the businesses in which it is engaged. W&T does not maintain business interruption insurance. W&T has no reason to believe that, given its claims rate as of the date hereof, it would not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business or W&T's proposed business, in each case at a cost not in excess of the current cost, other than increases as a result of changes or developments affecting the insurance industry generally that do not disproportionately impact W&T compared to similarly situated companies in the same industry.

(n) Properties; Liens and Encumbrances. Schedule 3.1(n) sets forth the address of all parcels of real property owned, leased or operated by W&T, other than Oil and Gas Interests (as hereinafter defined in Section 3.1(q)(i)). To the knowledge of W&T, with the exceptions set forth on Schedule 3.1(n), W&T has good and marketable title in fee to such of its fixed assets as are real property, and good and merchantable title to all of its other assets (tangible or intangible), now carried on its books, including those reflected in the balance sheet included in the Interim W&T Financial Statements, or acquired since the date of such balance sheet (except personal property disposed of since said date in the ordinary course of business), free and clear of any Lien or Encumbrance, except for Permitted Encumbrances. As used herein, "Encumbrance" shall mean and include all Liens and shall also include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting property. For the purposes hereof, W&T shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the property has been retained by or vested in some other person for security purposes. For the purposes hereof, "Permitted Encumbrances" shall mean and include:

(i) Encumbrances for taxes, assessments, or other governmental charges not yet due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such accruals as shall be required by GAAP shall have been made therefor;

(ii) any (A) undetermined or inchoate Liens or charges constituting or securing the payment of expenses that were incurred incidental to maintenance, development, production or operation of oil and gas

properties or for the purpose of developing, producing or processing oil, gas or other hydrocarbons therefrom or therein securing payment of expenses not yet due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such accruals as shall be required by GAAP shall have been made therefor, and (B) materialman's, vendors', mechanics', repairman's, employees', contractors', operators' or other similar Liens or charges for liquidated amounts arising in the ordinary course of business securing payment of amounts not yet due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such accruals as shall be required by GAAP shall have been made therefor;

(iii) any liens or security interests created by law or reserved in oil and gas leases for lessor royalty, bonus or rental payments not yet due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserves as shall be required by GAAP shall have been made therefor;

(iv) preferential rights to purchase or similar rights not applicable to the transactions contemplated hereby, as listed on Schedule 3.1(n)(iv);

(v) third party consents to assignment or similar consent rights of third parties not required for nor applicable to the transactions contemplated hereby;

(vi) all rights to consent by, required notices to, filings with, or other actions by any regulatory authority, administrative agency or any other governmental agency or body, domestic or foreign, in connection with the sale or conveyance of the oil and gas leases or interests therein;

(vii) inchoate liens arising under ERISA to secure the contingent liabilities, if any, permitted by this Agreement; and

(viii) the Encumbrances described in Schedule 3.1(n)(viii) hereto.

(o) Leases. Set forth on Schedule 3.1(o) is a correct and complete list (including the amount of rents called for and a description of the leased property) of all material leases under which W&T is a lessee, other than leases comprising any of the Oil and Gas Interests. Except as set forth on Schedule 3.1(o), W&T enjoys peaceful and undisturbed possession under all such leases and, all of such leases are valid and subsisting and neither W&T nor, to the knowledge of W&T, any other party, is in default under any such leases in any material respect.

(p) Environmental, Conservation and Safety Matters.

(i) To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, and except as set forth on Schedule 3.1(p)(i), W&T has in effect all federal, state and local governmental approvals,

authorizations, certificates, filings, franchises, licenses, notices, permits and rights ("Operating Permits") required under applicable statutes, laws, ordinances, rules, orders and regulations which are administered, interpreted or enforced by the U.S. Environmental Protection Agency, Minerals Management Service, U.S. Coast Guard or other federal, state and local agencies with jurisdiction over protection of natural resources or the environment, or the exploration, development, and production of oil and gas properties (collectively, "Environmental, Conservation or Safety Laws") necessary for it to carry on its business as now conducted, and W&T is, and has been, in compliance in all material respects with such Operating Permits.

(ii) Except as set forth on Schedule 3.1(p)(ii), to the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, W&T is, and has been, in compliance with all applicable Environmental, Conservation or Safety Laws in all material respects. Except as set forth on Schedule 3.1(p)(ii) and to the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, W&T is not subject to any liability, penalty or expense (including legal fees) and will not hereafter suffer or incur any loss, liability, penalty or expense (including legal fees) by virtue of any violation of any Environmental, Conservation or Safety Law occurring prior to the Closing Time, any activity regulated by such Laws and conducted at or prior to the Closing Time or any regulated condition existing on or with respect to any property at or prior to the Closing Time, in each case whether or not W&T permitted or participated in such act or omission.

(iii) Except as set forth on Schedule 3.1(p)(iii), there is no suit, claim, action, proceeding, investigation or inquiry pending or, to the knowledge of W&T, threatened before any court, governmental agency or

authority or other forum in which W&T has been or, with respect to threatened suits, actions and proceedings, may be named as a defendant or respondent (A) for alleged noncompliance (including by any predecessor) with any Environmental, Conservation or Safety Law or (B) relating to the release or threatened release into the environment of any Hazardous Material (as defined below), asbestos, naturally occurring radioactive materials (as defined by Louisiana Administrative Code LAC 33:XV.1403), polychlorinated biphenyls or petroleum, including crude oil or any fraction or product thereof (such materials, together with Hazardous Materials, collectively, "Regulated Materials"), whether or not occurring at, on, under or involving a site owned, leased or operated by W&T. "Hazardous Material" shall mean any pollutant, contaminant, or hazardous substance within the meaning of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Sections 6901 et seq., as amended ("CERCLA"), oil within the meaning of the Oil Pollution Act of 1990, 33 U.S.C. Sections 2701 through 2761, or any similar state or local law.

(iv) To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, and except as set forth on Schedule 3.1(p)(iv), there are no physical or environmental conditions existing on any of the Oil and Gas Interests operated by W&T or resulting from W&T's operations or activities, past or present, at any location, that would give rise to any on-site or off-site remedial obligations under any application of any Environmental, Safety or Conservation Law, other than normal and ordinary remedial work associated with plugging and abandoning of oil and gas facilities.

(v) Except as set forth on Schedule 3.1(p)(v), (A) to the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, and except as set forth on Schedule 3.1(p)(v), during the period of ownership and operation, and (B) to the knowledge of W&T without any duty of inquiry, prior to the period of ownership by W&T of any of its current properties and during the period of ownership by W&T of any of its current non-operated properties, there have been no underground storage tanks (whether currently active or not) and no polychlorinated biphenyls in transformers or other electrical equipment and there have been no releases of Regulated Materials in, on, under or affecting such properties or from any such properties onto any surrounding site. Except as set forth on Schedule 3.1(p)(v), to the knowledge of W&T, prior to the period of operation, and to the knowledge of W&T without any duty of inquiry, prior to the period of ownership, by W&T of any of its current properties there were no releases of Regulated Materials in, on, under or affecting any such property or any surrounding site.

(vi) To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, W&T has not treated, stored, recycled or disposed of, or allowed or arranged for any third person to treat, store, recycle or dispose of, any Regulated Material other than in accordance with applicable law. To the knowledge of W&T, W&T has not transported any Regulated Material or arranged for the transportation of any Regulated Material to any location that is listed or proposed for listing on the National Priorities List pursuant to CERCLA, or any other location that is the subject of federal, state or local enforcement action or other investigation that may lead to claims against W&T for cleanup costs, remedial action, damages to natural resources, or to other property or for personal injury including claims under CERCLA. None of the properties leased or operated by W&T is either listed or known to W&T as being proposed for listing on the National Priorities List pursuant to CERCLA, or is subject to any other federal, state or local law or regulation requiring remedial investigation or cleanup.

(vii) W&T has made available to the Purchasers true, correct and complete copies of all reports and filings made or filed by W&T pursuant to the Occupational Safety and Health Act, or pursuant to worker health and safety regulations enforced by the Minerals Management Service or the U.S. Coast Guard. To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, and except as set forth on Schedule 3.1(p)(vii), W&T has not violated in any material respect or failed to comply in any material respect with, or been subject of any written allegation regarding worker health and safety by the Occupational Safety and Health Administration, the Minerals Management Services or Coast Guard, or violated in any material respect or, failed to comply in any material respect with the worker health and safety rules or regulations promulgated by those agencies.

(q) Oil and Gas Interests.

(i) Schedule 3.1(q)(i) contains a complete and accurate list of all oil, gas and/or mineral leases, mineral rights and servitudes, fee interests owned for the purpose of mineral development, MMS-approved pipeline rights-of-way and servitudes held by W&T or in

which W&T owns any interest (the "Oil and Gas Interests"). Schedule 3.1(q)(i) designates those Oil and Gas Interests that collectively comprise the "Material Oil and Gas Interests." The Material Oil and Gas Interests represent in excess of 80 percent of the value of the Oil and Gas Interests. Schedule 3.1(q)(i) also indicates which Oil and Gas Interests are operated by W&T.

(ii) To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, W&T has good and defensible title to the Material Oil and Gas Interests free and clear of any Encumbrance other than Permitted Encumbrances. To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, the ownership interests of W&T in the Material Oil and Gas Interests do and will, as of the Closing Time, (A) with respect to each tract of land described in Schedule 3.1(q)(i) (whether described directly in Schedule 3.1(q)(i) or described by reference to another instrument) in connection with such Material Oil and Gas Interests, (1) entitle W&T to receive a decimal or percentage share of the Hydrocarbons produced from, or allocated to, such tract equal to not less than the decimal or percentage share set forth in Schedule 3.1(q)(i) in connection with such tract directly opposite the designation "NRI" or "Net Revenue Interest" (or words or abbreviations of similar import), (2) cause W&T to be obligated to bear a decimal or percentage share of the cost of exploration, development, operation and abandonment of such tract of land not greater than the decimal or percentage share set forth in Schedule 3.1(q)(i) in connection with such tract directly opposite the designation "WI" or "Working Interest" (or words or abbreviations of similar import), and (B) if any such Material Oil and Gas Interest is shown on Schedule 3.1(q)(i) to be subject to a unit or units, with respect to each such unit, (1) entitle W&T to receive a decimal or percentage share of all Hydrocarbons covered by such unit which are produced from, or allocated to, such unit equal to not less than the decimal or percentage share set forth in Schedule 3.1(q)(i) in connection with such Material Oil and Gas Interest opposite the words "Unit Net Revenue Interest" or words of similar import (and if such Material Oil and Gas Interest is subject to more than one unit, words identifying such interest with such unit), and (2) obligate W&T to bear a decimal or percentage share of the cost of exploration, development, operation and abandonment of such unit not greater than the decimal or percentage share set forth in Schedule 3.1(q)(i) in connection with such Material Oil and Gas Interest opposite the words "Unit Working Interest" or words of similar import (and if such Material Oil and Gas Interest is subject to more than one unit, words identifying such interest with such unit). With respect to each property described as a Material Oil and Gas Interest on Schedule 3.1(q)(i) which is subject to a voluntary or involuntary pooling, unitization or communitization agreement and/or order, the term "tract of land" as used in this subparagraph shall mean the pooled, unitized or communitized area as an entirety and shall not be deemed to refer to any individual tract committed to said pooled, unitized or communitized area. Without limitation of the foregoing, the ownership by W&T of the Material Oil and Gas Interests does and will, as of the Closing Time, with respect to each well or unit identified in Schedule 3.1(q)(i), made a part hereof, entitle W&T to receive a decimal or percentage share of the oil, gas and other Hydrocarbons produced from, or allocated to, such well or unit equal to not less than the decimal or percentage share set forth for such well or unit in the column headed "Net Revenue Interest" in Schedule 3.1(q)(i), and cause W&T to be obligated to bear a decimal or percentage share of the cost of operation of such well or unit equal to not more than the decimal or percentage share set forth for such well or unit in the column headed "Working

Interest" in Schedule 3.1(q)(i). The above-described shares of production which W&T is entitled to receive and shares of expenses which W&T is obligated to bear are not and will not be as of the Closing Time subject to change (other than changes which arise pursuant to non-consent provisions of operating agreements described in Schedule 3.1(q)(i) in connection with operations hereafter proposed), except, and only to the extent that, such changes are reflected in Schedule 3.1(q)(i).

(iii) To the knowledge of W&T, including the knowledge of W&T Landman, the oil, gas and/or mineral leases, contracts, servitudes and other agreements forming a part of the Material Oil and Gas Interests described in Schedule 3.1(q)(i) and operated by W&T and, to the actual knowledge of W&T, including the actual knowledge of the W&T Landman, operated by others, are in full force and effect, having been maintained in accordance with the terms thereof, except as indicated on Schedule 3.1(q)(iii). Schedule 3.1(q)(iii-a) sets forth a list of the material contracts and agreements relating to the Material Oil & Gas Interests, or which may affect W&T's interest therein as described in Schedule 3.1(q)(i) (the "Basic Oil and Gas Documents"). W&T has made available to the Purchasers for their review a true, correct and complete copy of each of the Basic Oil & Gas Documents, together with all material amendments, waivers or other changes to all such documents. W&T has no reason to believe that any Basic Oil and Gas Document will be terminated prior to its expiration date. All payments (including all delay rentals, royalties, shut-in royalties and valid calls for payment or prepayment under operating agreements) owing under the Basic Oil and Gas Documents have been and are being made

(timely, and before the same became delinquent) by W&T in all material respects (and, where the non-payment of same by a third party could reasonably be expected to materially adversely affect the ownership, operation, value or use of a Material Oil and Gas Interest after the Closing Time have been and are being made, to W&T's knowledge, by such third parties). For the purposes of the representations contained in this subparagraph (and without limitation of such representations), the non-payment of an amount, or non-performance of an obligation, where such non-payment or non-performance could reasonably be expected to result in the forfeiture or termination of rights of W&T under a Basic Oil and Gas Document, shall be considered material. W&T is not in default with respect to W&T's obligations (and W&T is not aware of any default by any third party acting on W&T's behalf with respect to such third party's obligations) under such leases, contracts, servitudes and other of the Basic Oil and Gas Documents, or otherwise attendant to the ownership or operation of any part of the Material Oil and Gas Properties by W&T where such default could reasonably be expected to materially adversely affect the ownership or operation of the Material Oil and Gas Properties; and to W&T's knowledge, each other party or obligor thereto has complied with all the material provisions of the Basic Oil and Gas Documents and is not in default thereunder. W&T is not currently accounting (and will not, through the Closing Time, hereafter agree to account) for any royalties, or overriding royalties or other payments out of production, on a basis (other than delivery in kind) less favorable to W&T than the value of the proceeds received by W&T (calculated at the well) from sale of production, and there are no situations where W&T is aware that a contingent liability may exist to account on a basis less favorable to W&T than the basis on which W&T is currently accounting.

(iv) Except as set forth in Schedule 3.1(q)(iv), W&T has not abandoned any wells (or removed any material items of equipment, except those replaced by items of materially equal suitability) included in the Material Oil and Gas Interests and identified on or considered in the generating of the Reserve Report since the effective date of the Reserve Report.

(v) Schedule 3.1(q)(v) sets forth a list of all of the contracts to which W&T is a party providing for the transportation, processing or sale of substantially all of the Hydrocarbons (the "Schedule 3.1(q)(v) Contracts"). W&T has made available to the Purchasers for their review a true, correct and complete copy of each of the Schedule 3.1(q)(v) Contracts, together with all material amendments, waivers or other changes to all such documents. Except for the Schedule 3.1(q)(v) Contracts, W&T has no currently existing contract, obligation, agreement, plan, arrangement, commitment or the like (written or oral) relating to the transportation, sale, or processing of Hydrocarbons. None of the Oil and Gas Interests is subject to any contractual or other arrangement (A) whereby payment for production is or can be deferred for a substantial period after the month in which such production is delivered (i.e., in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days) except by W&T's choice, or (B) whereby payments are made to W&T other than by checks, drafts, wire transfer advises or other similar writings, instruments or communications for the immediate payment of money. The Schedule 3.1(q)(v) Contracts (A) may or may not be cancelable on 120 days (or less) notice but are priced at market rates and indexes until termination and (B) are bona fide arm's length transactions with third parties not affiliated with W&T. W&T is presently receiving a price for production from (or attributable to) each of the Oil and Gas Interests covered by the Schedule 3.1(q)(v) Contracts as computed in accordance with the terms of such contracts, and is not having deliveries of production from such properties curtailed substantially below such properties' delivery capacity by the purchasers or transporters of the production. As of December 31, 2001, W&T had not, and, since December 31, 2001, to W&T's knowledge, W&T has not, received prepayments for oil, gas or other Hydrocarbons (A) that, except as set forth on Schedule 3.1(q)(v), were produced from the Oil & Gas Interests prior to the date hereof (or the Closing Time, as applicable) that have not been satisfied from Hydrocarbons produced prior to the date hereof (or the Closing Time, as applicable) from such Oil & Gas Interests and (B) that are to be produced from the Oil & Gas Interests after the date hereof (or the Closing Time, as applicable). To W&T's actual knowledge, none of W&T's predecessors in title has received prepayments for oil, gas or other Hydrocarbons (A) that were produced from the Oil & Gas Interests prior to the date hereof (or the Closing Time, as applicable) that have not been satisfied from Hydrocarbons produced prior to the date hereof (or the Closing Time, as applicable) from such Oil & Gas Interests and (B) that are to be produced from the Oil & Gas Interests after the date hereof (or the Closing Time, as applicable). Except as set forth on Schedule 3.1(q)(v-a), (A) W&T has not, to its knowledge, prior to the date hereof, taken more ("overproduced") or less ("underproduced") oil or gas from the lands covered thereby (or pooled or unitized therewith) than its ownership interest in such properties would entitle it to take and excepting that normal daily operations of oil and gas production and sales by W&T and its partners results in routine and ongoing overproduction and underproduction and (B) some of the properties affected by the Schedule 3.1(q)(v) Contracts may be subject to a gas balancing arrangement under which one or more third parties may take a portion of the production attributable to such property without payment (or without full payment) therefore as a result of

production having been taken from, or as a result of other actions or inactions with respect to, other properties. None of the properties comprising the Oil and Gas Interests is subject at the present time to any regulatory refund obligation that would result in an expense or liability to W&T, and, to W&T's knowledge, no facts exist which might cause the same to be imposed.

(vi) W&T maintains its equipment, inventory, improvements, fixtures, goods and other tangible personal property in good repair, consistent with prudent industry standards. W&T has no reason to believe that the amount that will be spent on maintenance, including capital maintenance, will be materially greater in 2003 (after giving credit for insurance proceeds), as compared to such expenditures in 2002 with respect to properties which were owned in both periods (and excluding the assets of Burlington).

(vii) To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, the Material Oil and Gas Interests that are operated by W&T, and to the actual knowledge of W&T, including the actual knowledge of the W&T Landman, those that are not operated by W&T, (and properties unitized therewith) are being maintained, operated and developed in a good and workmanlike manner, in accordance with prudent industry standards and in conformity in all material respects with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with all oil, gas and/or other mineral leases and other material contracts and agreements forming a part of the Material Oil and Gas Interests; specifically in this connection, to the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, none of the wells that are operated by W&T, and to the actual knowledge of W&T, including the actual knowledge of the W&T Landman, those that are not operated by W&T and located on any lands covered by, or otherwise forming part of, the Material Oil and Gas Interests (or properties unitized therewith) are or will be deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are, and will remain, as of the Closing Time, bottomed under and producing from, with the well bores wholly within, the lands covered by the Material Oil and Gas Interests (or in the case of wells located on properties unitized therewith, such unitized properties). To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, there are no wells being drilled, deepened, plugged back or reworked by W&T, or to the actual knowledge of W&T, including the actual knowledge of the W&T Landman, by others, and no other similar operations by W&T are being conducted, for which consent of other interest owners is required and has not been obtained or which is not covered by the non-consent provisions of the applicable operating agreement. There are no proposals currently outstanding (whether made by W&T or, to W&T's knowledge, by any other party) to drill, deepen, plug back, sidetrack, or rework wells or to conduct any other similar operations, or to abandon any wells (nor are there any such proposals which have been approved either by W&T or, to W&T's knowledge, by any other party, with respect to which the operations covered thereby have not been commenced), which involve an expenditure to W&T in excess of $10,000,000, except as set forth in Schedule 3.1(q)(vii) or which would otherwise be outside the normal course of W&T's business. To the knowledge of W&T, having made appropriate inquiries of the relevant senior W&T executives responsible for such matters, W&T has all governmental licenses and permits necessary to own and operate the Material Oil and Gas

Interests that are operated by it and W&T has not received notice of any violations or, to W&T's knowledge, possible violations, with respect to any such licenses or permits.

(viii) W&T represents that Schedule 3.1(q)(viii) is a printout dated November 12, 2002, generated from the accounting records maintained by and for W&T, that lists, among other things, all of the oil, gas or other Hydrocarbon properties with respect to which W&T has received revenues and/or paid expenses since 1996, and that such listing includes properties that are currently active, properties that are inactive and properties that have been sold or abandoned or have otherwise expired.

(ix) W&T represents that Schedule 3.1(q)(ix) is a printout dated November 12, 2002, generated from the accounting records maintained by W&T for W&T Offshore, LLC, that lists, among other things, all of the oil, gas or other Hydrocarbon properties with respect to which W&T Offshore, LLC has received revenues and/or paid expenses since 1996, and that such listing includes properties that are currently active, properties that are inactive and properties that have been sold or abandoned or have otherwise expired.

(r) Gas and Oil Reserves. W&T has delivered to the Purchaser Representative (as hereinafter defined) a copy of W&T's most recent Reserve

Report, as prepared by W&T's independent reserve engineers. W&T has no reason to believe that the conclusions of such Reserve Report are not correct in all material respects as of the effective date of such Reserve Report.

(s) Wells. Schedule 3.1(s-a) includes a complete and accurate list of each oil or gas well owned by W&T included in its Reserve Reports (each a "Reserve Report Well") and the production status, working interest and operating interest of W&T therein. None of W&T's wells is currently subject to a compliance order or other similar order of a governmental agency having jurisdiction to plug and abandon such well prior to the actual expiration of the lease of the property on which such well is situated except that the wells on Schedule 3.1(s-b) are on leases that will require their abandonment in an amount of time estimated to be within the next year. W&T has provided to the Purchaser Representative a copy of a report of Twachtman Snyder & Byrd, Inc. ("Twachtman"), dated April 22, 1998, regarding the properties to be acquired by the Burlington Agreement. In the opinion of W&T, the costs of plugging and abandoning all of W&T's existing wells will be approximately $35,000,000, net to W&T after salvage. W&T has no reason to believe that the conclusions of Twachtman or of W&T are not correct in all material respects.

(t) Ordinary Course; No Material Adverse Change. Since December 31, 2001, W&T, except as set forth on Schedule 3.1(t) or as explicitly contemplated by this Agreement or any Schedule or Exhibit hereto, has conducted its business in the ordinary course, has not incurred any material obligation, absolute or contingent, or entered into any material transactions not in the ordinary course of business, and, except as set forth on Schedule 3.1(t), has not declared or paid any dividends or other distributions, tax or otherwise, on its capital stock. Since December 31, 2001, there has been no event, occurrence, development, change or effect that has had, individually or in the aggregate, a W&T Material Adverse Effect.

Notwithstanding the foregoing, the parties agree that (i) upon execution of the Bethea Redemption Agreement (attached hereto as Exhibit D), W&T shall declare a dividend in the amount of $11,400,000 payable to stockholders of record as of the date that the Bethea Redemption Agreement is executed and (ii) W&T shall pay a bonus in respect of 2002 to Tracy W. Krohn in the amount of $250,000.

(u) Agent's Fees. Except for Jefferies & Company, Inc., whose fees are set forth on Schedule 3.1(u) and will be paid by W&T, W&T has not retained a finder or broker in connection with the transactions contemplated by this Agreement nor is W&T obligated to pay any other fees or expenses (including of Jefferies & Company, Inc.) of a finder.

(v) W&T Expenses. There are no expenses reimbursed, or reimbursable, by W&T to any of its employees, consultants, officers, directors, shareholders, agents or representatives other than reasonable, ordinary and properly-vouchered expenses incurred in the performance of services to W&T in accordance with reasonable policies as in effect from time to time.

(w) Bethea Disclosure. At the time of the closing of the transactions contemplated by the Bethea Redemption Agreement, W&T will have fully provided the Bethea Group with all the information that the Bethea Group will have reasonably requested in deciding whether to sell its equity interest in W&T and W&T Offshore LLC. The information with respect to W&T provided to the Bethea Group upon such requests did not, or will not, as the case may be, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements and writings contained therein not false or misleading in the light of the circumstances under which they were made. The term "Bethea Group" shall mean William C. Bethea, individually ("Bethea"), Claudette Bethea, individually, and William C. Bethea, as Trustee for each of the separate irrevocable trusts established for the benefit of each of Claude Bethea, James Bethea, Michael Bethea, William Bethea, II, and Lori Reixach (the "Bethea Trusts").

(x) Burlington Disclosure. W&T has made available to the Purchasers true, accurate and complete copies of the Agreement and Plan of Merger, dated as of May 7, 2002 (the "Merger Agreement"), by and among Burlington Resources Offshore, Inc., The Louisiana Land and Exploration Company, LLOXY Holdings, Inc. and W&T Offshore, Inc. (including any amendments to date thereof) and all agreements ancillary to the Merger Agreement (collectively, the "Burlington Agreement").

(y) Disclosure. The information with respect to W&T heretofore provided and to be provided, by W&T pursuant to this Agreement, including the Schedules and Exhibits hereto and the Burlington Agreement, and each of the agreements, documents, certificates and writings to be delivered to the Purchasers or their representatives at or prior to the Closing, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or therein or necessary in order to make the statements and writings contained herein and therein not false or misleading in the light of the circumstances under which they were made; provided, however, that to the extent the foregoing representation regards

a statement or omission by any party other than W&T such representation is made subject to the knowledge of W&T. To the knowledge of W&T, there is no fact that would have a W&T Material Adverse Effect that has not been set forth herein or otherwise disclosed in writing to the Purchasers.

(z) Registration Rights. Except as may be provided in this Agreement or in the Stockholders' Agreement, W&T is not under any obligation to register any of its currently outstanding securities or any of its securities that may hereafter be issued.

(aa) Credit Agreement. W&T has no reason to believe that it will not be able to make commercially reasonable arrangements with its lenders in order to satisfy the condition set forth in Section 5.12.

(bb) Offering. Assuming the accuracy of the Purchasers' representations and warranties in Section 4.1, the offer and issuance of the Series A Preferred Stock to be acquired by them as contemplated by this Agreement, are not subject to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and neither W&T nor anyone acting on its behalf has taken or will take any action that would cause such registration requirements to be applicable.

(cc) Stockholder Equity. As of the Closing Time, after giving effect to the consummation of the transactions contemplated hereunder W&T's total stockholder equity shall equal at least $180,000,000, calculated without giving effect to any adjustment to the balance sheet of W&T resulting from the change to the accrual method of accounting or the transactions contemplated by the Burlington Agreement. W&T estimates, in good faith, that the reduction in total stockholder equity resulting from the change to the accrual method of accounting for tax purposes will not exceed $$15,000,000 in respect of the next four tax periods.

(dd) W&T Offshore LLC. Attached hereto as Schedule 3.1(dd) is a statement of the assets owned by W&T Offshore LLC as of September 30, 2002.

3.2 Representations and Warranties Related to the Burlington Assets.

(a) W&T has made available to the Purchasers for their review true, correct and complete copies of the Burlington Agreement. W&T is not aware of a breach of any of the representations, warranties, covenants, terms or provisions of the Burlington Agreement. Except as set forth in Schedule 3.2(a), W&T has satisfied all of its conditions necessary to consummate the transactions contemplated by the Burlington Agreement and has no reason to believe that Burlington will not satisfy its conditions on or prior to February 28, 2003. W&T makes no additional representations and with respect to the assets and liabilities acquired from Burlington Resources Offshore, Inc.

(b) The consummation of the Burlington Agreement will not involve the issuance of any capital stock by W&T.

(c) Upon consummation of the transactions contemplated by the Burlington Agreement, all issued and outstanding shares of capital stock or other equity ownership interests of W&T Energy I LLC, W&T Energy II LLC and W&T Energy III LLC shall have been duly authorized and validly issued and shall be fully paid, nonassessable and free of preemptive rights and shall be owned by W&T or a direct or indirect wholly-owned subsidiary of W&T, free and clear of all Liens.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser, severally but not jointly, represents and warrants to W&T (as to itself only) as follows:

4.1 Investment Representations. (i) It is an "accredited investor" as that term is defined in Rule 501(a) promulgated under the Securities Act, (ii) it has the requisite knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in W&T, (iii) it is acquiring the Series A Preferred Stock and, upon conversion of the Series A Preferred Stock, such Purchaser will acquire the Conversion Shares (as hereinafter defined), for investment for its own account and not with a view to, or for resale in connection with, any distribution thereof, except pursuant to sales registered or exempted under the Securities Act; provided, however, that by making the representations herein, it does not agree to hold any shares of the Series A Preferred Stock or the Conversion Shares for any minimum or other specific term and reserves the right to dispose of shares of the Series A Preferred Stock or the Conversion Shares at any time in accordance with or

pursuant to a registration statement or an exemption under the Securities Act and in accordance with the terms of the Stockholders' Agreement, and (iv) it understands that the shares of Series A Preferred Stock and the Conversion Shares, if any, to be acquired by it have not been registered under the Securities Act and it will not offer, sell, transfer, pledge, hypothecate or otherwise dispose of any shares of the Series A Preferred Stock or Conversion Shares, if any, except pursuant to an exemption from, or otherwise in a transaction not subject to, the registration requirements of the Securities Act or pursuant to an effective registration statement under the Securities Act, and, in each case, in accordance with any applicable state securities or "blue sky" laws.

4.2 Authorization; Binding Obligations. (i) The person executing this Agreement on behalf of such Purchaser has the appropriate authority to act on behalf of such Purchaser and (ii) this Agreement has been duly authorized, executed and delivered by such Purchaser and constitutes a legal, valid and binding agreement of such Purchaser, enforceable against such Purchaser in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

4.3 Compliance with Instruments, etc. It is not in material breach or violation of, or in default under, any term or provision of (i) its organizational and governing documents, (ii) any indenture, mortgage, deed of trust, voting trust agreement, shareholders agreement, note

agreement or other agreement or instrument to which it is a party or by which it is or may be bound or to which any of its property is or may be subject or (iii) any statute, judgment, decree, order, rule or regulation applicable to such Purchaser or of any arbitrator, court, regulatory body, administrative agency or any other governmental agency or body, domestic or foreign, having jurisdiction over such Purchaser or any of its activities or properties.

4.4 Sophistication; Due Diligence. (i) It is a sophisticated and professional investor with extensive experience and expertise in making investments similar to the Series A Preferred Stock. It has been represented in its negotiations with W&T by attorneys, accountants and other financial advisors (including advisors expert in the field of oil and gas investments), and it and its advisors had access to all premises, assets, documentation and information necessary to form an independent determination as to the value of W&T's assets, liabilities and the financial condition, results of operations, business and prospects of W&T and the value of the Series A Preferred Stock. It and its advisors have had the opportunity to question the management of W&T as to all matters that it and its advisors deemed material in making its decision to invest in the Series A Preferred Stock, and it has received satisfactory answers to all such questions. The transactions contemplated by this Agreement were jointly structured by the Purchasers, on the one hand, and W&T, on the other hand.

4.5 Agent's Fees. It has not retained a finder or broker in connection with the transactions contemplated by this Agreement.

ARTICLE V

CONDITIONS TO OBLIGATIONS OF THE PURCHASERS

The obligations of the Purchasers under this Agreement are subject to the fulfillment to their reasonable satisfaction on or prior to the Closing Time of each of the following conditions:

5.1 Representations and Warranties Correct. The representations and warranties of W&T in Article III shall be true and correct in all material respects on and as of the date hereof, and shall be true and correct in all material respects on and as of the Closing Time with the same force and effect as if they had been made on and as of the Closing Time.

5.2 Performance. All covenants, agreements and conditions contained in this Agreement to be performed or complied with on or prior to the Closing Time by W&T shall have been performed or complied with by W&T on or prior to the Closing Time.

5.3 Compliance Certificate. W&T shall have delivered to the Purchasers a certificate of the chief executive officer of W&T, dated the Closing Time, certifying to the fulfillment of the conditions specified in Sections 5.1, 5.2 and 5.5 of this Agreement and such other matters as the Purchasers shall reasonably request.

5.4 No Impediments. No statute, judgment, order, decree of any court, regulatory body, administrative agency or any other governmental agency or body shall be in effect which

would impose any material limitation on the ability of the Purchasers to exercise full rights of ownership of the Series A Preferred Stock.

5.5 No Material Adverse Change. Since December 31, 2001, except as expressly provided for or contemplated by this Agreement (or any Schedule or exhibit hereto), there shall have been no event, occurrence, development, change or effect that, in any one case or in the aggregate, has had a W&T Material Adverse Effect.

5.6 Legal Investment. At the time of the Closing, the acquisition by the Purchasers of the Series A Preferred Stock to be acquired by them hereunder shall, be legally permitted by all statutes, rules and regulations to which the Purchasers and W&T are subject.

5.7 Qualifications. All authorizations, approvals or permits, if any, of any governmental authority or regulatory body that are now required in connection with the lawful issuance and sale of the Series A Preferred Stock pursuant to this Agreement shall have been duly obtained and shall be in full force and effect on and as of the Closing Time.

5.8 Employment Agreement. W&T shall have in effect a five-year employment agreement, containing non-competition, non-solicitation and confidentiality provisions, with Tracy W. Krohn, in the form attached hereto as Exhibit C.

5.9 Issuance Taxes. All Taxes imposed by law in connection with the initial issuance, sale and delivery of the Series A Preferred Stock shall have been fully paid by W&T, and all laws imposing such Taxes shall have been fully complied with.

5.10 Stockholders' Agreement. W&T and each of its shareholders shall have executed and delivered the Stockholders' Agreement in the form attached hereto as Exhibit A.

5.11 Directors. Messrs. James L. Luikart and Stuart B. Katz shall have been elected to the Board of Directors of W&T effective on the Closing Time.

5.12 Credit Agreement. W&T shall have made arrangements under the Credit Agreement with the lenders parties thereto and Toronto Dominion Bank, as Administrative Agent (the "Credit Agreement"), in form and substance reasonably satisfactory to the Purchasers, to permit borrowing of up to $180.0 million thereunder, contingent upon the closing of the transactions contemplated by the Burlington Agreement, or $130.0 million, not contingent upon the closing of the transactions contemplated by the Burlington Agreement.

5.13 Bethea Agreements.

(a) Bethea and each of the Bethea Trusts shall have executed and delivered the Bethea Redemption Agreement and ancillary documentation, in form and substance satisfactory to the Purchasers, providing for the redemption by W&T of 300 shares of W&T Common Stock owned by Bethea and the Bethea Trusts.

(b) Bethea and each of the Bethea Trusts shall have entered into the Bethea Purchase Agreement (a form of which is attached hereto as Exhibit E) and ancillary documentation, in form and substance satisfactory to the Purchasers, providing for the sale by Bethea and the Bethea Trusts to the Purchasers of 1,000 shares of W&T Common Stock owned by Bethea and the Bethea Trusts.

(c) The transactions contemplated by the Bethea Redemption Agreement and the Bethea Purchase Agreement shall have been consummated prior to the Closing in a manner satisfactory to the Purchasers.

5.14 Burlington Transaction. The Burlington Agreement shall be in full force and effect and shall not have been amended or modified in any manner materially adverse to W&T.

5.15 Proceedings and Other Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and such other documents contemplated hereby and thereby shall have been taken by W&T, and the Purchasers shall have received such other documents and instruments in form and substance reasonably satisfactory to them and their counsel, as to such other matters incident to the transactions contemplated hereby as they may reasonably request.

5.16 Opinions of Counsel. The Purchasers shall have received the opinion of Adams & Reese, L.L.P., counsel for W&T, dated the Closing Time, substantially in the form attached hereto as Exhibit F. The Purchasers shall have received an opinion of Nevada counsel in form and substance satisfactory to

the Purchasers.

5.17 Consents, Waivers, Etc. Prior to the Closing, W&T shall have obtained all consents or waivers, if any, required by the Purchasers necessary to execute and deliver this Agreement and to issue the Series A Preferred Stock and carry out the transactions contemplated hereby, and all such consents and waivers shall be in full force and effect.

5.18 Termination of Stockholders' Agreement. Prior to the Closing, the Stockholders' Agreement, dated December 30, 1989, between W&T and the stockholders signatory thereto (the "Old Stockholders' Agreement") shall have been terminated and no provision of the Old Stockholders' Agreement shall survive and be of further force and effect.

5.19 Shareholder Loans. All outstanding loans made by W&T to its stockholders, as described under Note 2 - "Related Party Transactions" to the W&T Financial Statements for fiscal years 2001 and 2000, shall be repaid in their entirety prior to the Closing, except that the $300,000 loan to William Bethea reflected on the W&T balance sheet will be written off upon the closing of the Bethea Redemption Agreement.

5.20 LLC Purchase Agreement. W&T, Tracy W. Krohn and Ann K. Freel shall have entered into the LLC Purchase Agreement (attached hereto as Exhibit I) providing for the sale by W&T of its ownership interest in W&T Offshore LLC to Tracy W. Krohn and Ann K. Freel.

5.21 Other Matters. W&T shall have delivered to the Purchasers (i) certificates (in definitive form) in the denominations specified by the respective Purchasers and registered in their respective names (or in the names of their respective nominees) representing the Series A Preferred Stock acquired by them, and (ii) the following: (A) a certified copy of W&T's articles of incorporation and all amendments thereto, appropriately authenticated; (B) a copy of W&T's By-laws, as amended to date, certified as being true by a principal officer of W & T; and (C) a certificate of good standing of W&T certified as of a recent date by the Secretary of State of the State of Nevada, and from every jurisdiction in which W&T is qualified to do business.

ARTICLE VI

CONDITIONS TO OBLIGATIONS OF W&T

W&T's obligations under this Agreement are subject to the fulfillment to its reasonable satisfaction on or prior to the Closing Time of each of the following conditions:

6.1 Representations and Warranties Correct. The representations and warranties of the Purchasers in Article IV shall be true and correct in all material respects on and as of the date hereof and shall be true and correct in all material respects on and as of the Closing Time with the same force and effect as if they had been made on and as of the Closing Time.

6.2 Legal Investment. At the time of the Closing, the acquisition by the Purchasers of the Series A Preferred Stock to be acquired by them hereunder shall be legally permitted by all statutes, rules and regulations to which the Purchasers and W&T are subject.

6.3 Presentation of Common Stock Certificates. W&T shall have received certificates representing the Purchasers' 1,000 shares of W&T Common Stock, executed in blank.

6.4 Performance. All covenants, agreements and conditions contained in this Agreement to be performed or complied with on or prior to the Closing Time by the Purchasers shall have been performed or complied with in all respects on or prior to the Closing Time.

6.5 Bethea Agreements. Bethea and the Bethea Trusts shall have executed and delivered the Bethea Redemption Agreement and the Bethea Purchase Agreement.

6.6 Agreement of Toronto Dominion. Toronto Dominion, on behalf of the entire bank lending group, shall have consented to the transactions contemplated by this Agreement including without limitation the transactions contemplated by the Bethea Redemption Agreement.

ARTICLE VII

COVENANTS OF W&T

For so long as the FS Stockholders are the holders, in the aggregate, of

at least 5% of the Total Voting Power of W&T or in the case of Sections 7.1 through 7.6, Sections 7.8 through 7.11 and Section 7.13 until the closing of a Qualified IPO:

7.1.1 Reports. W&T will deliver to the Purchasers Representative for delivery to the Purchasers:

(a) Financial Information.

(i) within 30 days after the end of each of the twelve monthly accounting periods in each fiscal year (or when furnished to the Board of Directors of W&T, if earlier), unaudited consolidated and consolidating statements of income and retained earnings and cash flows of W&T and its subsidiaries, if any, for each monthly period and for the period from the beginning of such fiscal year to the end of such monthly period, together with consolidated and consolidating balance sheets of W&T and its subsidiaries, if any, as at the end of such monthly period, setting forth in each case comparisons to budget and to corresponding periods in the preceding fiscal year (on a pro forma basis, if necessary);

(ii) within 120 days after the end of each fiscal year, consolidated and consolidating statements of income and retained earnings and cash flows of W&T and its subsidiaries, if any, for the period from the beginning of such fiscal year to the end of such fiscal year, and consolidated and consolidating balance sheets as at the end of such fiscal year, setting forth in each case in comparative form corresponding figures for the preceding fiscal year, accompanied by:

(A) a certificate of the chief financial officer of W&T, addressed to each Purchaser, stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default (each, as defined in the Credit Agreement) (an "Event of Noncompliance"), except as specified in such certificate; and

(B) an unqualified report on the consolidated statements of Ernst & Young LLP or another public accounting firm currently known as one of the "Big Four" (an "Approved Accounting Firm"); for purposes of this Section, a report including a "going concern" paragraph shall not be considered "unqualified"; and

(iii) within 60 days after the end of each fiscal year, preliminary and unaudited (A) consolidated and consolidating statements of income and retained earnings and cash flows of W&T and its subsidiaries, if any, for the period from the beginning of such fiscal year to the end of such fiscal year, and (B) consolidated and consolidating balance sheets as at the end of such fiscal year, setting forth in each case in comparative form corresponding figures for the preceding fiscal year;

(iv) within ten days after transmission or receipt thereof, copies of all financial statements, reports and other communications which W&T sends to its stockholders, copies of all press releases and other statements made generally available by W&T to the public concerning material developments in the business of W&T and its subsidiaries, if any, and copies of all material communications sent to and received from any lender to W&T or any subsidiary of W & T; and

(v) with reasonable promptness such other information and financial data concerning W&T and its subsidiaries, if any, as a Purchaser may reasonably request, including, without limitation, information and financial data with respect to the use of proceeds by W&T from the issuance of the Series A Preferred Stock to the Purchasers.

(b) Notice of Adverse Change. Promptly after the occurrence thereof (but in any event within seven days after such occurrence is known to W&T) notice of any condition or event which constitutes, or the occurrence of, any of the following:

(i) any Event of Noncompliance;

(ii) the institution or threatened institution of an action, suit or proceeding against W&T or any of its subsidiaries by or before any court, regulatory authority, administrative agency or any other governmental agency or body, domestic or foreign, which, if adversely decided, could have a W&T Material Adverse Effect; or

(iii) any information relating to any event, development or circumstance with respect to or affecting W&T or any of its subsidiaries which, in W&T's reasonable judgment, could have a W&T Material Adverse Effect or materially and adversely affect the ability of W&T to perform its obligations under this Agreement and the transactions contemplated hereby. Any notice given under this Section 7.1(b)(iii) shall specify the nature and period of existence of the condition, event, information, development or

circumstance, the anticipated effect thereof and what actions W&T has taken and/or proposes to take with respect thereto.

7.1.2 Reports to Purchasers Representative

(a) W&T will deliver to the Purchasers Representative:

(i) the management letter of the Approved Accounting Firm, if issued;

(ii) promptly upon receipt thereof, any additional reports or other detailed information concerning significant aspects of the operations and condition, financial or otherwise, of W&T and its subsidiaries, if any, given to W&T by its independent accountants;

(iii) promptly upon receipt thereof, any reserve reports or reports describing estimated reserves; and

(iv) within 60 days following the Closing and at least 30 days prior to the end of each fiscal year thereafter, a detailed annual operating budget and operating plan (which shall include a detailed capital expenditures budget) for W&T and any subsidiaries for the balance of fiscal 2002. Such budgets shall be prepared on a monthly basis, displaying consolidated statements of anticipated income and retained earnings, consolidated statements of anticipated cash flow and projected consolidated balance sheets, setting forth in each case the assumptions (which assumptions and projections shall represent and be based upon the good faith best judgment in respect thereof of the chief executive officer and the chief financial officer of W&T) behind the projections contained in such financial statements, and which budgets shall have been approved by the Board of Directors of W&T for fiscal 2002 or prior to the beginning of each twelve-month period thereafter to which they pertain and, promptly upon preparation thereof, any other budgets that W&T may prepare and any revisions of such annual or other budgets.

(b) The Company shall provide brief summaries of the foregoing information to the Purchasers Representative for delivery to the Other Investors. The Company may exclude from such summaries any confidential information which could impair the Company's competitive position.

7.2 Accounts and Records. W&T shall keep true records and books of account in which entries will be made of all dealings or transactions in relation to the business and affairs of W&T and its subsidiaries, if any, in accordance with good accounting practice.

7.3 Inspection. W&T shall grant the Purchasers the right, which the Purchasers may exercise through their designated representative, FS Private Investments III LLC, or any of their respective officers, employees, representatives or such other person as the Purchasers may designate (the "Purchaser Representative"), upon five business days' prior notice and during normal business hours as often as such Purchaser Representative may request, to visit and inspect the offices and properties of W&T or any of its subsidiaries, and (i) to make extracts or copies of the books, accounts and records of W&T or any of its subsidiaries, and (ii) to discuss the affairs, finances and accounts of W&T or any of its subsidiaries, with W&T and officers of W&T and its independent public accountants. The Purchaser Representative shall have the right to participate in the semi-annual reserve reviews conducted for the benefit of W&T's banks. W&T will furnish the Purchaser Representative with such financial and operating data and other information with respect to the business and properties of W&T as the Purchaser Representative may, from time to time, reasonably request. W&T acknowledges that the rights set forth in this Section 7.3 are essential to the Purchasers as a means of evaluating their investment in W&T and agree that in no event will they make any claim of any kind as a result of the exercise by the Purchasers of such rights and hereby waive any and all rights it may have to make such claims. The Purchaser Representative will not be allowed to copy geological or geophysical data, but will be allowed to inspect such data at W&T's offices; provided, that, the Purchaser Representative shall not be entitled to inspect such data if any employee, member or Affiliate of an FS Management Company serves on the board of directors (or similar governing body) of a Competing Person; provided, however, that Ascent Energy, Inc. shall not be a Competing Person for purposes of this Section 7.3. The Purchaser Representative shall not disclose to the

Purchasers any specific geological or geophysical data (that is not, or has not become publicly available), but may present summary information about the classification and amount of W&T's reserves. The rights of the Purchasers and the Purchaser Representative under this Section 7.3 shall also be in effect from the date hereof through the Closing Time. Notwithstanding any other provision of this Agreement and the Stockholders' Agreement, the rights of the Purchasers and the Purchaser Representative under this Section 7.3 shall be in addition to, and

not in lieu of, any of the rights granted to the Purchasers and their representatives under and pursuant to the Stockholders' Agreement, including, without limitation, Article IV and Section 5.06 thereof.

7.4 Independent Accountants. W&T will retain an Approved Accounting Firm to audit W&T's financial statements at the end of each fiscal year. If the services of the Approved Accounting Firm shall be terminated, W&T shall promptly notify the Purchasers of the occurrence of such event and shall promptly thereafter request the firm of independent public accountants whose services are terminated to deliver to the Purchasers a letter of such firm setting forth its understanding as to the reasons for the termination of its services and whether there were, during the two most recent fiscal years or such period during which said firm had been retained by W&T, any disagreements between it and W&T on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. In its notice, W&T shall state whether the change of accountants was recommended or approved by the Board of Directors of W&T or any committee thereof. In the event of such termination, W&T will promptly thereafter engage another Approved Accounting Firm approved by the Purchasers which approval shall not be unreasonably withheld.

7.5 Further Assurances. From time to time, W&T shall execute and deliver to the Purchaser Representative such documents and take such actions as may be reasonably requested by the Purchaser Representative to implement and effectuate the terms and provisions of this Agreement.

7.6 Operation of Business. Prior to the Closing, unless otherwise expressly contemplated by Schedule 7.6 and this Agreement or consented to in writing by the Purchasers, W&T shall (i) operate in the ordinary course of business, consistent with past custom and practice and in accordance with applicable laws; (ii) preserve in all material respects its goodwill and business organization, maintain its rights and franchises, use its commercially reasonable efforts to retain the services of its principal officers and key employees and maintain its relationships with its principal lessors, licensors, suppliers, contractors, distributors, customers and others having material business relationships with it; (iii) maintain and keep its properties and assets in as good repair and condition as at present, ordinary wear and tear excepted; and (iv) keep in full force and effect insurance comparable in amount and scope of coverage to that currently maintained.

7.7 Notice of Adverse Change. W&T shall deliver to the Purchasers promptly after the occurrence thereof (but in any event within seven days after such occurrence is known to W&T) notice of any condition or event that constitutes, or the occurrence of, any of the following: (a) the institution or threatened institution of an action, suit or proceeding against W&T or any of its subsidiaries by or before any court, regulatory authority, administrative

agency or any other governmental agency or body, domestic or foreign, which, if adversely decided, could have a W&T Material Adverse Effect; or (b) any information relating to any event, development or circumstance with respect to or affecting W&T or any of its subsidiaries which, in W&T's reasonable judgment, could have a W&T Material Adverse Effect or materially and adversely affect the ability of W&T to perform its obligations under this Agreement and the transactions contemplated hereby. Any notice given under this Section 7.7 shall specify the nature and period of existence of the condition, event, information, development or circumstance, the anticipated effect thereof and what actions W&T has taken and/or proposes to take with respect thereto. Notwithstanding the foregoing, if, following the closing of a Qualified IPO, delivery of a notice required to be given under this Section 7.7 would, in the opinion of counsel to W&T, require W&T to provide additional material public disclosure under federal or state securities law in excess of the public disclosure that would be required under federal or state securities laws had such notice not been given, then W&T shall not be required to give such notice.

7.8 Certain Pre-Closing Tax Matters. Except as expressly contemplated by this Agreement, without prior notice to the Purchasers, W&T shall not make or change any election, file any amended Tax Return, enter into any closing agreement, settle any Tax claim or assessment relating to W&T, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to W&T, fail to timely file any Tax Return, take a position on a Tax Return not in keeping with prior practice or take any other similar action, or omit to take any action relating to the filing of any Tax Return or the payment of any Tax, if such election, adoption, change, amendment, agreement, settlement, surrender, consent or other action or omission could have the effect of increasing the present or future tax liability or decreasing any present or future tax asset of W&T, W&T or the Purchasers. The Purchasers acknowledge and agree that W&T will allow or cause its Subchapter "S" election status to lapse at or prior to the Closing.

7.9 Additional Covenants. Except as expressly contemplated by Schedule 7.9 and this Agreement or otherwise consented to in writing by the Purchasers, from the date hereof until the Closing Time, W&T shall not:

(a) (i) increase the compensation payable to any of its directors, officers or employees, except for increases in salary, wages or bonuses payable to non-managerial employees in the ordinary course of business; or (ii) grant any severance or termination pay to, or enter into or modify any employment or severance agreement with, any of its directors, officers or employees, except as may be required by any settlement of pending litigation; or (iii) adopt or amend any employee benefit plan or arrangement, except as may be required by any settlement of pending litigation or except as may be required by applicable law;

(b) declare, set aside or pay any dividend on, or making other distributions in respect of, any of its capital stock;

(c) (i) redeem, repurchase or otherwise reacquire any shares of its capital stock or any securities or obligations convertible into or exercisable or exchangeable for any

shares of its capital stock, or any options, warrants or conversion or other rights to acquire any shares of its capital stock or any such securities or obligations; (ii) effect any reorganization or recapitalization; or (iii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock;

(d) (i) issue, deliver, award, grant or sell, or authorize or propose the issuance, delivery, award, grant or sale of, any shares of any class of its capital or other equity securities, any securities or obligations directly or indirectly convertible into or exercisable or exchangeable for any such shares, or any rights (including, without limitation, stock appreciation or stock depreciation rights), warrants or options to acquire, any such shares or securities or any rights, warrants or options directly or indirectly to acquire any such shares or securities; or (ii) amend or otherwise modify the terms of any such securities, obligations, rights, warrants or options;

(e) acquire or agree to acquire, by merging or consolidating with, by purchasing an equity interest in or a portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire all or substantially all assets of any other person;

(f) sell, lease, license, exchange, mortgage, pledge, transfer, abandon or otherwise dispose of, or agree to sell, lease, exchange, mortgage, pledge, transfer or otherwise dispose of, any of its assets (tangible or intangible including its W&T Intellectual Property), except for sales of inventory and other dispositions or abandonments of assets in the ordinary course of business;

(g) adopt any amendments to the Articles of Incorporation or By-laws (provided, however, W&T may (i) amend and restate its Articles of Incorporation to correspond to Exhibit B and (ii) amend its By-laws to correspond to Exhibit K);

(h) change any of its methods of accounting in effect at December 31, 2001, except as may be required by law or GAAP;

(i) pay any of its long-term debt otherwise than in accordance with its terms, or incur any obligation for borrowed money, whether or not evidenced by a note, bond, debenture or similar instrument, other than (i) indebtedness (including its reimbursement obligations under letters of credit and sight drafts) incurred in the ordinary course of business under its existing loan agreements or under any refinancing, renewal or refunding thereof, and (ii) trade payables incurred in the ordinary course of business;

(j) take any action that would or would reasonably be expected to result in any of its representations and warranties set forth in this Agreement being untrue; or

(k) agree in writing or otherwise to do any of the foregoing.

7.10 Burlington Transaction. The Burlington Agreement shall not be amended or modified in any manner adverse to W&T without the prior written consent of FS Private

Investments III LLC. W&T shall deliver to FS Private Investments III LLC promptly upon the occurrence thereof, notice of any proposed amendment or modification to the Burlington Agreement, or of any information relating to any material event, development or circumstance with respect to or affecting the

Burlington Agreement, or the ability of any party thereto to perform its obligations under the Burlington Agreement or consummate the transactions contemplated thereby.

7.11 Interim Financials. Not later than five business days prior to the Closing Time, W&T shall provide to the Purchasers a true, correct and complete copy of its most recent financial statements (on a consolidated and consolidating basis) which have been prepared in accordance with GAAP consistently applied, and which fairly present the financial position of W&T as of the dates thereof and the results of its consolidated operations and cash flows for the periods then ended.

7.12 Long-Term Incentive Compensation Plan. The aggregate number of shares of W&T Common Stock issued pursuant to W&T's existing Long-Term Incentive Compensation Plan shall not exceed 5% of the W&T Common Stock on a Fully Diluted Basis.

7.13 Reincorporation in Delaware. W&T shall exercise its best efforts to take all actions necessary to cause W&T to be reincorporated in Delaware on or prior to February 28, 2003.

7.14 By-laws. The By-laws of W&T shall be amended in the form attached hereto as Exhibit K. As part of such reincorporation the Company shall revise the Articles of Incorporation to comply with Delaware law and utilize the right granted under Delaware business corporation law to incorporate by reference the terms and provisions of the Stockholders' Agreement.

7.15 Key Man Life Insurance. The Company shall use commercially reasonable efforts to help FS Private Investments III LLC obtain a seven-year (or longer) twenty million dollar ($20,000,000) renewable "key man" insurance policy on the life of Tracy W. Krohn, naming FS Private Investments III LLC as beneficiary.

7.16 Subchapter "S". If a Stockholder of W&T receives any refund of Taxes as a result of any successful challenge to W&T's status as a Subchapter "S" corporation within the meaning of Section 1361 et seq. of the Code (including, but not limited to, any refund of Taxes as a result of any successful challenge by a taxing authority of W&T's status as a Subchapter "S" corporation) prior to the Closing Date, then, such stockholder shall pay to W&T the amount of such refund (together with any interest thereon actually received by the Stockholder) within five days of receipt thereof. For purposes of this covenant, any credit against other Taxes of a stockholder shall be treated, upon the filing of a tax return claiming such credit, as a refund of Taxes paid on account of W&T's status as a Subchapter "S" corporation.

ARTICLE VIII

REGISTRATION RIGHTS

8.1 Restrictive Legend. Any certificates representing the Series A Preferred Stock or the Conversion Shares and any other securities issued in respect of such securities upon any split, dividend, recapitalization, merger, consolidation or similar event, shall be stamped or otherwise imprinted with a legend in the following form (in addition to any legend required under applicable state securities laws):

> "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE 'ACT'), OR ANY STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD OR OFFERED FOR SALE EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO W&T OFFSHORE, INC., THAT SUCH REGISTRATION IS NOT REQUIRED."

8.2 Certain Definitions. As used in this Article VIII, the following terms shall have the following respective meanings:

"Holders" shall mean the holders of Registrable Securities.

"Initiating Holders" shall mean any persons who in the aggregate are holders of at least 25% of the Registrable Securities.

"IPO" shall mean the first sale of equity securities by W&T pursuant to a registration statement under the Securities Act.

"Registrable Securities" shall mean (i) the Conversion Shares (ii) the Common Stock held by Jefferies & Company, Inc. and (iii) any other securities issued in respect of such Conversion Shares or Common Stock upon any split, dividend, recapitalization, merger, consolidation or similar event; provided, however, that Registrable Securities shall not include any securities that have

previously been registered or that have been sold to the public either pursuant to a registration statement or under Rule 144 promulgated under the Securities Act, or that have been sold in a private transaction in which the transferor's rights under this Agreement are not assigned.

The terms "register," "registered" and "registration" shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of the effectiveness of such registration statement.

"Registration Expenses" shall mean all expenses incurred by W&T in compliance with Sections 8.3 and 8.4, including, without limitation, all registration and filing fees (including with respect to filings required to be made with the National Association of Securities Dealers, Inc. and the NASD Regulation, Inc.), printing expenses, fees and disbursements of counsel for W&T, blue sky fees and expenses (including fees and disbursements of counsel for the underwriters in connection with blue sky qualifications), fees and disbursements of all independent certified public accountants of W&T (including the expenses of any special audits and "comfort" letters required by or incident to such performance), fees and expenses incurred in connection with the listing of the securities on a securities exchange or quotation system, and rating agency fees, except for Selling Expenses.

"Restricted Securities" shall mean the securities of W&T required to bear or bearing the legend set forth in Section 8.1.

"Selling Expenses" shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities.

"Underwritten Offering" shall mean the offering and sale of Registrable Securities in a registration pursuant to a firm commitment underwriting to an underwriter at a fixed price for reoffering or pursuant to agency or best efforts arrangements with a placement agent or underwriter.

8.3 Requested Registration.

(a) Requests for Registration. At any time after six months from the date that the Securities and Exchange Commission (the "SEC") declares effective an IPO, the Initiating Holders may request registration of all or part of their Registrable Securities under the Securities Act. Within ten days after receipt of any such request, W&T will give written notice of such requested registration to all other Holders of Registrable Securities. W&T will include in such registration all Registrable Securities with respect to which it has received written requests for inclusion therein within 20 days after delivery of W&T's notice. All registrations effected by W&T under this Section 8.3 are referred to herein as "Demand Registrations." The Holders of Registrable Securities will be entitled to two Demand Registrations.

(b) Cooperation by W&T. W&T shall and shall cause its management to cooperate fully and to use its best efforts to effect the registration of Registrable Securities and the sale of Registrable Securities pursuant to a request for a Demand Registration as promptly as is practicable; provided, however, that in the event that W&T is not then eligible to use a registration statement on Form S-3 or other short form registration statement under the Securities Act and W&T furnishes to the Holders a certificate of a senior executive officer of W&T stating that the Board of Directors of W&T has determined, in its good faith judgment, that effecting the registration at such time would materially and adversely affect a material financing, acquisition, disposition of assets or securities, merger or other comparable transaction by W&T, or would require W&T to make public disclosure of information the public disclosure of which would have a W&T Material Adverse Effect, then W&T's obligation to effect such registration shall be deferred but not more than once in any twelve-month period for not more than 90 days in the

aggregate. Cooperation by W&T and its management shall include, but not be limited to, management's attendance and reasonable presentations in respect of W&T at road shows with respect to the offering of Registrable Securities.

(c) Expenses. W&T will pay all Registration Expenses for each Demand Registration. A registration will not count as a Demand Registration until it has become effective; provided, however, that in any event W&T shall not be required to pay any Registration Expenses if, as a result of the withdrawal of a request for registration by the Initiating Holders (other than due to a material adverse change in the business of W&T or any refusal to proceed based upon the advice of counsel that the registration statement, or any prospectus contained therein, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, in which case, W&T will be required

to pay all Registration Expenses), the registration statement does not become effective, in which case the Holders of Registrable Securities requesting registration shall bear such Registration Expenses pro rata to the number of Registrable Securities so included in the registration request, unless they agree to count such registration as a Demand Registration.

(d) Priority on Demand Registrations. If a Demand Registration is an Underwritten Offering, and the managing underwriters advise W&T in writing that in their opinion the number of Registrable Securities requested to be included exceeds the number which, in the opinion of such managing underwriters, may be sold in such offering without materially adversely affecting the distribution or pricing of such securities, W&T will include in such registration such number of securities, which in the opinion of such underwriters, may be sold, allocated among the Holders electing to participate pro rata in accordance with the amounts of securities requested to be so included by the respective Holders; provided, however, if less than 75% of the Registrable Securities requested to be included in such Demand Registration have been sold thereunder (other than at the discretion of the Holders) such registration shall not count as a Demand Registration. W&T will not include in any Demand Registration any securities that are not Registrable Securities without the written consent of the Holders of a majority of the Registrable Securities requesting such registration.

8.4 Piggyback Registrations.

(a) Right to Piggyback. Whenever W&T proposes to register any of its securities under the Securities Act (other than pursuant to a Demand Registration, a registration relating solely to employee benefit plans on Form S-8 or any other similar form for employee benefit plans, a registration on Form S-3 or any similar form relating solely to a dividend reinvestment plan or a registration relating solely to a Rule 145 transaction) and the registration form to be used may be used for the registration and contemplated disposition of Registrable Securities (a "Piggyback Registration"), W&T will give prompt written notice to all Holders of Registrable Securities of its intention to effect such a registration so that such notice is received by each Holder at least 20 business days before the anticipated filing date. W&T will include in such registration all Registrable Securities with respect to which W&T has received written requests for inclusion therein within ten business days after the receipt of W&T's notice.

(b) Piggyback Expenses. The Registration Expenses of the Holders of Registrable Securities will be paid by W&T.

(c) Priority on Primary Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of W&T, and the managing underwriters advise W&T in writing that in their opinion the distribution of the Registrable Securities to be included in the Piggyback Registration concurrently with the securities being registered on behalf of W&T would materially adversely affect the distribution of such securities by W&T, W&T will include in such registration (i) first, the securities W&T proposes to sell, (ii) second, the Registrable Securities, with each holder of Registrable Securities desiring to register its Registrable Securities participating pro rata in accordance with the total number of Registrable Securities requested by such holder to be included in such registration and (iii) third, any other securities requested to be included in such registration.

(d) Priority on Secondary Registrations. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of W&T's securities, and the managing underwriters advise W&T in writing that in their opinion the distribution of the Registrable Securities in such Piggyback Registration concurrently with the securities being registered on behalf of holders of W&T's securities would materially adversely affect the distribution of such securities, W&T will include in such registration (i) first, the securities requested to be included therein by the holders requesting such registration, (ii) second, the Registrable Securities, with each holder of Registrable Securities desiring to register its Registrable Securities participating pro rata in accordance with the total number of Registrable Securities requested by such holder to be included in such registration and (iii) third, any other securities requested to be included in such registration.

(e) Other Restrictions. W&T hereby agrees that if it has previously filed a registration statement with respect to Registrable Securities pursuant to Section 8.3 or pursuant to this Section 8.4, and if such previous registration has not been withdrawn or abandoned, W&T will not file or cause to be effected any other registration of any of its equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-8 or any other similar form for employee benefit plans or on Form S-3 or any similar form for a registration of shares to be issued solely pursuant to a dividend reinvestment plan), whether on its own behalf or at the request of any holder or holders of such securities, until (i) six months has elapsed from the effective date of such previous registration or (ii) sooner if all Registrable Securities included in such previous registration

have been sold.

8.5 Holdback Agreements.

(a) Each Holder of Registrable Securities which is a party to this Agreement agrees not to effect any sale or distribution of equity securities of W&T, or any securities convertible into or exchangeable or exercisable for such securities, during the period commencing seven days prior to and ending 90 days after the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration except for a Piggyback

Registration in connection with the IPO, in which case the period shall end 180 days after the effective date of the IPO (except as part of such underwritten registration or with the consent of the managing underwriter), provided that the executive officers and directors (or their equivalents) and each of the holders of 5% or more of the then outstanding equity securities of W&T on a fully diluted basis shall have entered into similar agreements. The commencement of such period shall be determined in good faith by the managing underwriter and advised to the Holders.

(b) W&T agrees (i) not to effect any sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during the period commencing seven days prior to and ending 90 days after the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration (except (A) as part of such underwritten registration, (B) with the consent of the managing underwriter of such underwritten registration or (C) pursuant to registrations on Form S-8 or any other similar form for employee benefit plans or on Form S-3 or any other similar form for the registration of securities to be issued solely pursuant to a dividend reinvestment plan), and (ii) to use its reasonable best efforts to cause each holder of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, purchased from W&T at any time after the date of this Agreement (other than in a registered public offering) to agree not to effect any public sale or distribution of any such securities during such period (except as part of such underwritten registration, if otherwise permitted, or with the consent of the managing underwriter). The commencement of such period shall be determined in good faith by the managing underwriter.

8.6 Registration Procedures. Whenever the Holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Article VIII, W&T will promptly take all such actions to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto W&T will as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities, and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, W&T will furnish to each of the Holders of Registrable Securities covered by such registration and counsel selected by such Holders, copies of all such documents proposed to be filed, which documents will be subject to their review and approval);

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period set forth in Section 8.6(l) and comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement during such period in accordance with the intended methods of disposition by the Holders thereof set forth in such registration statement;

(c) furnish to each Holder of Registrable Securities covered by such registration such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Holder may reasonably request in order to facilitate the disposition of such Registrable Securities;

(d) use its best efforts to register or qualify Registrable Securities covered by such registration under such other securities or blue sky laws of such jurisdictions as any Holder reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable the Holders thereof to consummate the disposition in such jurisdictions of the Registrable Securities as requested by such Holders (provided that W&T will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection, (ii) subject

itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction);

(e) notify each Holder of Registrable Securities covered by such registration, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement (or any document incorporated therein by reference) contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and W&T will prepare a supplement or amendment to such prospectus (or any document incorporated therein by reference) immediately thereafter so that such prospectus (or any document incorporated therein by reference) will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(f) cause all such Registrable Securities covered by such registration to be listed on each securities exchange or automated quotation system on which similar securities issued by W&T are then listed or quoted;

(g) provide a transfer agent and registrar for all Registrable Securities covered by such registration not later than the effective date of such registration statement;

(h) enter into such customary agreements (including an underwriting agreement) and take all such other actions as the Holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(i) make available for inspection by any Holder of Registrable Securities covered by such registration, any underwriter participating in any disposition pursuant to such registration, and any attorney, accountant or other agent retained by any such Holder or underwriter, all financial and other records, pertinent corporate documents and properties of W&T, and cause W&T's officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney, accountant or agent in connection with such registration statement;

(j) obtain (i) a "comfort letter" from W&T's independent public accountants in customary form and covering such matters of the type customarily covered by comfort letters and (ii) opinions of counsel from W&T's counsel in customary form and covering such matters of the type customarily covered in a public issuance of securities, in each case, in form and substance reasonably satisfactory to the Holders and any underwriters and addressed to the Holders and any underwriters;

(k) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC, and make generally available to its security holders, earnings statements satisfying the provisions of Section 11(a) of the Securities Act, no later than 45 days after the end of any 12-month period (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold and (ii) beginning with the first month of W&T's first fiscal quarter commencing after the effective date of the registration statement, which statements shall cover said 12-month periods; and

(l) keep each registration statement effective until the Holders of Registrable Securities covered by such registration have completed the distribution described in the registration statement relating thereto (including a shelf registration) or until Rule 144(k) under the Securities Act becomes available with respect to the Registrable Securities covered by such registration.

8.7 Indemnification.

(a) W&T will indemnify each Holder, each Holder's officers, directors, managers, members and partners, and each person controlling such Holder (within the meaning of the Securities Act and the rules and regulations thereunder), against all claims, losses, damages, liabilities (or actions in respect thereof) and expenses arising out of or based on any untrue or alleged untrue statement of a material fact contained in any registration statement, prospectus or preliminary prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by W&T of the Securities Act or any rule or regulation thereunder applicable to W&T and relating to action or inaction required of W&T in connection with any such registration, qualification or compliance, and will reimburse each such Holder, such Holder's officers, directors, managers, members and partners, and each person controlling such Holder for any legal and any other expenses incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided, that W&T will not be liable in any such case to the extent that any such claim, loss, damage, liability or action arises out of or is based on any

untrue or alleged untrue statement or omission or alleged omission of material fact based upon written information furnished to W&T by such Holder and stated to be specifically for use therein.

(b) Each Holder will, severally and not jointly, if Registrable Securities held by it are included in the securities as to which such registration is being effected, indemnify W&T, each of W&T's directors and officers and each person who controls W&T (within the meaning of the Securities Act and the rules and regulations thereunder), each other Holder whose

securities are included in such registration and each of such other Holder's officers, directors, managers, members and partners and each person controlling such other Holder, against all claims, losses, damages and liabilities (or actions in respect thereof) and expenses arising out of or based on any untrue or alleged untrue statement of a material fact contained in any such registration statement, prospectus or preliminary prospectus, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse W&T, its officers and directors, each person controlling W&T, each other Holder, and such other Holder's officers, directors, managers, members, partners and control persons for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement or omission is made in such registration statement, prospectus or preliminary prospectus in reliance upon and in conformity with written information furnished to W&T by such Holder and stated to be specifically for use therein.

(c) Each party entitled to indemnification under this Section 8.7 (a "Section 8.7 Indemnified Party") shall give notice to the party required to provide indemnification (a "Section 8.7 Indemnifying Party") promptly after such Section 8.7 Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and, unless in such Section 8.7 Indemnified Party's reasonable judgment, a conflict of interest may exist between such Section 8.7 Indemnified Party and such Section 8.7 Indemnifying Party with respect to such claim, shall permit the Section 8.7 Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided, that counsel for the Section 8.7 Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be reasonably satisfactory to the Section 8.7 Indemnified Party, and the Section 8.7 Indemnified Party may participate in such defense at such party's expense; provided, further, that the failure of any Section 8.7 Indemnified Party to give notice as provided herein shall not relieve the Section 8.7 Indemnifying Party of its obligations under this Article VIII, except to the extent that the Section 8.7 Indemnifying Party's ability to conduct such defense shall have been materially prejudiced by such failure. To the extent that, in the written opinion of counsel to the Section 8.7 Indemnified Party, a conflict of interest exists between a Section 8.7 Indemnified Party and the Section 8.7 Indemnifying Party, then such Section 8.7 Indemnified Party shall be entitled to separate counsel at the expense of the Section 8.7 Indemnifying Party. Each Section 8.7 Indemnified Party shall furnish such information regarding itself or the claim in question as an Section 8.7 Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and any litigation resulting therefrom.

(d) To the extent any indemnification by a Section 8.7 Indemnifying Party is prohibited or limited by law, the Section 8.7 Indemnifying Party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under this Section 8.7 to the fullest extent permitted by law; provided, however, that: (i) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution under this Section 8.7(d) from any person who was not guilty of fraudulent misrepresentation; and (ii) contribution by any Holder of Registrable Securities shall

be limited in amount to the net amount of proceeds received by such Holder from the sale of such Registrable Securities pursuant to a registration.

8.8 Information by Holders. FS Private Investments III LLC, on behalf of each Holder of Registrable Securities included in any registration, shall furnish to W&T such information regarding such Holder and the distribution proposed by such Holder as W&T may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Article VIII. It is understood that in the case of any such information with respect to a Holder other than one of the Initial FS Stockholders, FS Private Investments III LLC shall merely transmit such information without any responsibility for its accuracy or completeness.

8.9 Limitations on Registration of Issues of Securities. From and

after the date of this Agreement, W&T shall not enter into any agreement with any holder or prospective holder of any securities of W&T giving such holder or prospective holder the right to require W&T to register any securities of W&T equal to or more favorable than the rights granted under this Article VIII, unless such action is consented to by Holders holding at least a majority of the Registrable Securities. Any right given by W&T to any holder or prospective holder of W&T's securities in connection with the registration of securities shall be conditioned such that it shall be consistent with the provisions of this Article VIII and with the rights of the Holders provided in this Agreement and such holder or prospective holder agrees to be bound by the terms of this Article VIII.

8.10 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the SEC which may permit the sale of the Restricted Securities to the public without registration, W&T agrees to:

(a) make and keep public information available as those terms are understood and defined and interpreted in and under Rule 144 under the Securities Act, at all times from and after 90 days following the effective date of the IPO;

(b) use its best efforts to file with the SEC in a timely manner all reports and other documents required of W&T under the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), at any time after it has become subject to such reporting requirements; and

(c) so long as the Holders own any Restricted Securities, furnish to such Holders forthwith upon request a written statement by W&T as to its compliance with the reporting requirements of Rule 144 (at any time from and after 180 days following the effective date of the IPO) and of the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of W&T, and such other reports and documents so filed as such Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing such Holder to sell any such securities without registration.

8.11 Selection of Underwriters. If any Demand Registration is an underwritten offering, the Holders of a majority of the Registrable Securities included in such registration shall have the right to select the investment banker(s) and manager(s) to administer the offering, subject to the approval of W&T (which approval will not be unreasonably withheld).

ARTICLE IX

TERMINATION

9.1 Termination of Agreement. Anything herein to the contrary notwithstanding, this Agreement shall terminate if the Closing does not occur on or before the close of business on January 31, 2003 (the "Termination Date"), unless extended by mutual written consent of the parties hereto and otherwise may be terminated at any time before the Closing as follows:

(a) by mutual consent in writing of all of the parties hereto; or

(b) by the Purchasers or W&T if there has been a material representation or other material breach by the other party in its representations, warranties, or covenants set forth herein; provided, however, that if such breach is susceptible to cure, the breaching party shall have ten calendar days after receipt of notice from the other party of its intention to terminate this Agreement if such breach continues in order to cure such breach.

9.2 Effect of Termination. If this Agreement shall be terminated pursuant to Section 9.1, then all further obligations of the parties under this Agreement shall terminate without any further liability of any party to another; provided that the obligations of the parties contained in Section 12.10 shall survive any such termination. A termination under Section 9.1 shall not relieve any party of any liability for breach of, or for any misrepresentation under this Agreement, or be deemed to constitute a waiver of any available remedy for any such breach or misrepresentation.

ARTICLE X

AMENDMENT AND WAIVER

This Agreement may not be amended or modified (or any provision hereof waived), except that W&T and the Purchasers (and assignees of the Purchasers) holding at least a majority of the Series A Preferred Stock and the Conversion Shares purchased or to be purchased hereunder may by written instrument amend or waive any term or condition of this Agreement relating to the rights or obligations of such holders, but in no event shall the obligation of any holder of Series A Preferred Stock or Conversion Shares hereunder be increased, except

upon the written consent of each such holder; provided, however, that the provisions of Article VIII hereof may only be amended with the consent of the holders of a majority of the Registrable Securities.

W&T and each holder of Series A Preferred Stock and Conversion Shares shall be bound by any amendment or waiver effected in accordance with the provisions of this Article X, whether or not such Series A Preferred Stock or Conversion Shares shall have been marked to

indicate such modification, but any Series A Preferred Stock or Conversion Shares issued thereafter shall bear a notation as to any such modification. Promptly after obtaining the written consent of the holders herein provided, W&T shall transmit a copy of such modification to all holders of Series A Preferred Stock and Conversion Shares.

ARTICLE XI

LOST OR MUTILATED CERTIFICATES

Upon receipt of evidence satisfactory to W&T of the loss, theft, destruction or mutilation of any certificate representing Series A Preferred Stock, and, in the case of any such loss, theft, or destruction, upon delivery of a bond of indemnity satisfactory to W&T (provided that if the holder is a financial institution, its own agreement will be satisfactory), or in the case of any such mutilation, upon surrender and cancellation of such certificate, W&T will issue a new certificate of like tenor as if the lost, stolen, destroyed or mutilated certificate were then surrendered for exchange in lieu of such lost, stolen, destroyed or mutilated certificate.

ARTICLE XII

MISCELLANEOUS

12.1 Effectiveness. This Agreement shall not be binding upon the parties hereto until, and shall only become effective upon and contemporaneously with, the approval by the Board of Directors of W&T of the transactions contemplated hereby.

12.2 Governing Law. This Agreement and the rights of the parties hereunder shall be governed in all respects by the laws of the State of Delaware, without giving effect to the provisions thereof relating to conflicts of law. W&T agrees that it will not assert against any partner of the Purchasers (or against any partner, officer, director, employee or agent of the Purchasers or any of their affiliates) any claim it may have under this Agreement by reason of any failure or alleged failure by a Purchaser to meet its obligations hereunder. FS Private Investments III LLC agrees to indemnify W&T and hold harmless W&T, and any director, officer or equity holder of W&T against any claim made or threatened to be made against any such person by any beneficial owner of any interest in any Purchaser if such claim relates to any alleged untrue statement of a material fact in the information provided to such person by a Purchaser or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading with respect to an investment in the Series A Preferred Stock.

12.3 Survival. The representations, warranties, covenants and agreements made herein shall survive (i) any investigation made by the Purchasers and (ii) the Closing for the two-year period immediately following the Closing Time, except that (A) the representations contained in Sections 3.1(a), 3.1(b), 3.1(c), 3.1(d), and 3.1(z) shall survive indefinitely and (B) the representations in Section 3.1(h) shall survive until the applicable statute of limitations (including all waivers or extensions thereof) has expired with respect to each matter addressed therein; and provided that any claims made or asserted by a party within the applicable time

period prescribed above shall survive until such claim is finally resolved and all obligations with respect thereto are fully satisfied.

12.4 Public Announcements. W&T shall consult with, and obtain the prior written consent of, FS Private Investments III LLC before issuing any press release or otherwise making any public comment, statement or communication with respect to, or otherwise disclose or permit the disclosure of the existence of discussions regarding, a possible transaction among the parties or any of the terms, condition or other aspects of the transaction contemplated by this Agreement, and shall not issue any such press release or make any such public comment, statement or communication prior to such consultation, except to the extent required by applicable law.

12.5 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon

and enforceable by and against, the successors, permitted assigns, heirs, executors and administrators of the parties hereto. Neither W&T nor its existing stockholders may assign any of their rights or obligations under this Agreement without the prior written consent of the Purchasers holding a majority of the Series A Preferred Stock purchased or to be purchased hereunder. The Purchasers may assign to Other Investors all or any part of their rights and obligations hereunder to purchase not more than 40% in the aggregate of the Series A Preferred Stock purchased or to be purchased hereunder, but only during the 180-day period immediately following the Closing Time, and provided that, as a condition to any such transfer, the transferor will obtain representations from the transferee comparable to those in Section 4.1, which representations shall state explicitly that such representations are for the benefit of W&T. An Other Investor to whom all or a part of the Purchasers' rights are assigned shall become a party to this Agreement, entitled to all the rights and benefits hereunder. The rights and powers of the Purchasers hereunder are granted to the Purchasers as owners of the Series A Preferred Stock and Conversion Shares purchased or to be purchased hereunder. Any subsequent owner of any Series A Preferred Stock or Conversion Shares purchased or to be purchased hereunder during the 180-day period following the Closing Time, whether becoming such by transfer, assignment, operation of law or otherwise, shall be deemed to be a Purchaser hereunder, shall have the same rights and powers which a Purchaser owning such securities has hereunder, and shall be entitled to exercise them in full. Each Holder shall have the rights and powers set forth in Article VIII hereof and in the Stockholders' Agreement.

12.6 Entire Agreement. This Agreement (including the Schedules and Exhibits hereto) and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subject matter hereof and thereof.

12.7 Notices, etc. All notices, demands or other communications given hereunder shall be in writing and shall be sufficiently given if delivered either personally or by a United States nationally recognized courier service marked for next business day delivery or sent by facsimile or in a sealed envelope by first class mail, postage prepaid and either registered or certified, addressed as follows:

(a) if to W&T:

W&T Offshore, Inc.
8 Greenway Plaza
Suite 1300
Houston, Texas 70046
Attention: Tracy W. Krohn
Telephone: (713) 626-8525
Facsimile: (713) 686-8527

with a copy to:

Adams & Reese, L.L.P.
One Shell Square, 45th Floor
New Orleans, LA 70139
Attention: Virginia Boulet, Esq.
Telephone: (504) 585-0331
Facsimile: (504) 566-0210

If to a Purchaser, to it at the address and facsimile number set forth on Schedule 1, with copies to such Purchaser's representatives as set forth on Schedule 1, or to such other address with respect to any party hereto as such party may from time to time notify (as provided above) the other parties hereto. Any such notice, demand or communication shall be deemed to have been received (i) on the date of delivery, if delivered personally, (ii) one business day after delivery to a nationally recognized overnight courier service, if marked for next day delivery, (iii) five business days after the date of mailing, if mailed or (iv) on the date of transmission, if sent by facsimile.

12.8 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any holder of any Series A Preferred Stock or Conversion Shares upon any breach or default of W&T under this Agreement shall impair any such right, power or remedy of such holder nor shall it be construed to be a waiver of any such breach or default, or an acquiescence, therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any holder of any breach or default under this Agreement, or any waiver on the part of any holder of any provisions or conditions of this Agreement must be, made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any holder, shall be cumulative and not alternative.

12.9 Severability. In case any provision of this Agreement shall be

invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

12.10 Expenses. Except as set forth in the following sentence, if the transactions contemplated by this Agreement are not consummated, each party shall bear its own expenses and legal fees incurred with respect to the negotiation of the transactions contemplated by this Agreement. If the transactions contemplated by this Agreement are consummated, W&T shall pay, in addition to its own expenses and legal fees, an amount equal to $1,000,000 in respect of the expenses and legal fees of the Purchasers (collectively, the "Transaction Expenses"). W&T shall not be liable to make any other payment to the Purchasers in respect of their expenses and legal fees.

12.11 Litigation; Consent to Jurisdiction.

(a) Each party to this Agreement hereby consents to personal jurisdiction, service of process and venue in any court in which any claim is brought by a third party against any of the parties hereto related to this Agreement or by any other person entitled to the benefits of Section 8.7 hereof.

(b) In the event of any litigation between the parties related to this Agreement, the parties agree that the losing party in such litigation shall be responsible for the expenses (including reasonable legal fees and expenses) incurred by the winning party.

(c) Except as set forth in clause (a) above, in the event of any disputes between the parties hereto not involving third parties, the parties hereto agree that any action or proceeding arising directly, indirectly or otherwise in connection with, out of, related to or from this Agreement, any breach hereof or any transaction covered hereby, shall be resolved within the County of New Castle, City of Wilmington and State of Delaware. Accordingly, the parties consent and submit to the jurisdiction of the federal and state courts seated therein. The parties further agree that any such action or proceeding brought by either party to enforce any right, assert any claim, or obtain any relief whatsoever in connection with this Agreement shall be brought by such party exclusively in federal or state courts located within the County of New Castle, City of Wilmington and State of Delaware.

12.12 Titles and Subtitles. The titles of the articles, sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

12.13 Counterparts. This Agreement may be executed in counterparts, including via facsimile, each of which shall be an original, but all of which together shall constitute one instrument.

12.14 Direct Purchase. If W&T should redeem all the shares of W&T Common Stock owned by the Bethea Group and issue the Series A Preferred Stock to the Purchasers for cash, then the parties shall, in good faith, negotiate amendments to Article I and Article II of this Agreement and such other provisions of this Agreement as must be changed if the Series A Preferred Stock is to be purchased for cash, provided that such amendments shall not adversely affect the rights and obligations of, or economic consequences to, either W&T or the Purchasers.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

W&T OFFSHORE, INC.

By: /s/ Tracy W. Krohn

Name: Tracy W. Krohn
Title: CEO

PURCHASERS:
ING FURMAN SELZ INVESTORS III L.P.
ING BARINGS U.S. LEVERAGED EQUITY PLAN LLC
ING BARINGS GLOBAL LEVERAGED EQUITY PLAN LTD.

By: FS PRIVATE INVESTMENTS III LLC

By: /s/James L. Luikart

Name: James L. Luikart

Title: Managing Member

With respect to Article VIII only:

JEFFERIES & COMPANY, INC.

By: /s/ Daniel O. Conwill IV
Name: Daniel O. Conwill IV
Title: EVP

Exhibit A - Form of Stockholders' Agreement

Exhibit B - Form of Amended and Restated Articles of Incorporation

Exhibit C - Form of Krohn Employment Agreement

Exhibit D - Form of Bethea Redemption Agreement

Exhibit E - Form of Bethea Purchase Agreement

Exhibit F - Form of Opinion of Adams and Reese, L.L.P.

Exhibit G - Intentionally Omitted

Exhibit H - Election of Subchapter "S" Status by W&T and Corresponding Letter of Acceptance from the Internal Revenue Service

Exhibit I - LLC Purchase Agreement

Exhibit J - Stockholder Consent

Exhibit K - Form of Amended and Restated By-Laws

Schedule 1

Purchasers

<TABLE>
<CAPTION>

Name and Address of Purchaser	Number of shares of Series A Preferred Stock to be Issued by W&T	Number of shares of W&T Common Stock to be Exchanged by Purchaser	Representative's Name and Address
<S>	<C>	<C>	<C>
ING Furman Selz Investors III L.P. c/o FS Private Investments III LLC 520 Madison Avenue 8th Floor New York, NY 10022 Attention: Mr. Brian Friedman Telephone: (212) 284-1701 Facsimile: (212) 284-1717	1,393,590	696.795	Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, NY 10038 Attn: Melvin Epstein, Esq. Tel: (212) 806-5400 Fax: (212) 806-6006
ING Barings U.S. Leveraged Equity Plan LLC c/o FS Private Investments III LLC 520 Madison Avenue 8th Floor New York, NY 10022 Attention: Mr. Brian Friedman Telephone: (212) 284-1701	423,805	211.9025	Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, NY 10038 Attn: Melvin Epstein, Esq. Tel: (212) 806-5400 Fax: (212) 806-6006

Facsimile: (212) 284-1717

ING Barings Global Leveraged Equity Plan Ltd. c/o FS Private Investments III LLC 520 Madison Avenue 8th Floor New York, NY 10022 Attention: Mr. Brian Friedman Telephone: (212) 284-1701 Facsimile: (212) 284-1717	182,605	91.3025	Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, NY 10038 Attn: Melvin Epstein, Esq. Tel: (212) 806-5400 Fax: (212) 806-6006
Total:	2,000,000	1,000	

</TABLE>

EXHIBIT 21

SUBSIDIARIES OF W&T OFFSHORE, INC.

The subsidiaries of W&T Offshore, Inc. are listed below.

Name	State of Organization
Offshore Energy I LLC	Delaware
Offshore Energy II LLC	Delaware
Offshore Energy III LLC	Delaware
Gulf of Mexico Oil and Gas Properties LLC	Delaware

EXHIBIT 23.1

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 31, 2004 on the consolidated financial statements of W&T Offshore, Inc. and our report dated April 26, 2004 on the statement of revenues and direct operating expenses of certain oil and gas properties acquired from ConocoPhillips, in the Registration Statement (Form S-1 No. 33-00000) and related Prospectus of W&T Offshore, Inc. for the registration of _000,000 shares of its common stock.

/s/ Ernst & Young LLP

New Orleans, Louisiana
May 3, 2004

Exhibit 23.3

[NSA LOGO]

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS

As independent petroleum engineers and geologists, we consent to the references to our firm, to our estimates of reserves and value of reserves and to our reports on reserves and the incorporation of our reports on reserves for the years ended 2001, 2002, and 2003 included in the W & T Offshore, Inc. Registration Statement on Form S-1 to be filed with the Securities and Exchange Commission on or about April 28, 2004 and any amendments thereto, and related prospectus of W & T Offshore, Inc. for the registration of securities.

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: /s/ G. Lance Binder
G. Lance Binder
Executive Vice President

Dallas, Texas
April 28, 2004