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

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(a)

W&T Offshore, Inc.
(Name of Issuer)

COMMON STOCK, PAR VALUE $.00001 PER SHARE
(Title of Class of Securities)

(CUSIP Number)

Tracy W. Krohn
Eight Greenway Plaza, Suite 1330
Houston, Texas 77046
(713) 826-8525
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

Copy to:

Virginia Boulet, Esq.
Adams and Reese LLP
4500 One Shell Square
New Orleans, Louisiana 70139
(504) 581-3234

January 27, 2005
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box. ☐

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

(Continued on following pages)

CUSIP No. 92922P106

1. Names of Reporting Person.
I.R.S. Identification Nos. of above person (entities only).

Tracy W. Krohn

2. Check the Appropriate Box if a Member of a Group (a) ☐ (b) ☒

3. SEC Use Only

4. Source of Funds

PF

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ☐

6. Citizenship or Place of Organization

United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7. Sole Voting Power	52,400,361*
	8. Shared Voting Power	0
	9. Sole Dispositive Power	43,397,378
	10. Shared Dispositive Power	0

11. Aggregate Amount Beneficially Owned by Each Reporting Person

52,400,361*

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares ☐

13. Percent of Class Represented by Amount in Row (11)

79.5%

14. Type of Reporting Person

IN

*Includes (i) 7,087,271 shares owned of record by Ann K. Freel and which Reporting Person has the sole right to vote pursuant to the Stockholders' Agreement attached hereto as Exhibit A and (ii) 1,915,712 shares owned of record by W&T Offshore, Inc. employees and which Reporting Person has the sole right to vote pursuant to Grant Letters, a form of which is attached hereto as Exhibit B.

ITEM 1. Security and Issuer.

This statement on Schedule 13D relates to the common stock, par value $0.00001 per share (the "Common Stock"), of W&T Offshore, Inc (the "Company"). The principal executive offices of the Company are located at Eight Greenway Plaza, Suite 1330, Houston, Texas 77046.

ITEM 2. Identity and Background

(a) This Schedule 13D is being filed by Tracy W. Krohn.

(b) The business address of Mr. Krohn is Eight Greenway Plaza, Suite 1330, Houston, Texas 77046.

(c) Mr. Krohn is Founder, Chairman of the Board, President, Treasurer and Chief Executive Officer of the Company.

(d) & (e) Mr. Krohn has not, during the last five years, been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws on finding any violation with respect to such laws.

(f) United States

ITEM 3. Source and Amount of Funds or Other Considerations

Mr. Krohn is one of the founders of the Company and originally purchased his interest with personal assets of $10,000 in 1983.

ITEM 4. Purpose of Transaction

Mr. Krohn acquired the securities herein reported for investment purposes. Depending on market conditions, general economic conditions and other factors Mr. Krohn may deem significant to his investment decisions and subject to the Underwriting Agreement discussed below, Mr. Krohn may purchase shares of Common Stock in the open market or in private transactions or may dispose of all or a portion of the shares of Common Stock or other securities of the Company that he may acquire. Mr. Krohn does not have any present plans or proposals which relate to or would result in (a) the acquisition by any person of additional securities of the Company or the disposition of securities of the Company; (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company; (c) a sale or transfer of a material amount of assets of the Company; (d) any material change in the present capitalization or dividend policy of the Company; (e) any other material change to the Company's business or corporate structure; (f) changes in the Company's charter or bylaws or other actions which may impede the acquisition of control of the Company by any person; (g) the Common Stock or any other class of securities of the Company to be de-listed from the New York Stock Exchange; (h) the Common Stock or any other class of equity securities of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, as amended; or (i) any action similar to any of those enumerated above.

Mr. Krohn plans to use his voting power to fill vacancies on the Board of Directors, in conformance with NYSE regulations applicable to controlled companies. Mr. Krohn has no present plans to remove any of the current directors.

Additionally, Mr. Krohn is bound to the various provisions of the Underwriting Agreement dated January 27, 2005 filed as Exhibit C to this Schedule 13D. As such, Mr. Krohn is subject to the restrictions and lock-out provisions contained therein. The terms of the Underwriting Agreement provide that Mr. Krohn may not 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 180 days from the date of the Underwriting Agreement.

ITEM 5. Interest in Securities of the Issuer

(a) There were 65,969224 shares of Common Stock outstanding as of January 27, 2005.

As of January 27, 2005, the Reporting Person may be deemed to have beneficially owned an aggregate of 52,400,361 shares of Common Stock, representing, in the aggregate, approximately 79.5% of the outstanding shares of Common Stock. This number includes (i) 7,087,271 shares owned of record by Ann K. Freel and which Reporting Person has the sole right to vote pursuant to the Stockholders' Agreement, attached hereto as Exhibit A and (ii) 1,915,712 shares owned of record by Company employees and which Reporting Person has the sole right to vote pursuant to Grant Letters, a form of which is attached hereto as Exhibit B.

(b) As of January 27, 2005, the Reporting Person had the sole power to vote or to direct the voting of 52,400,361 shares of Common Stock that he may be deemed to beneficially own as indicated above.

Mr. Krohn has the sole power to dispose or to direct the disposition of 43,397,378 shares of Common Stock that he may be deemed to beneficially own as indicated above. Mr. Krohn does not have the sole or shared power to dispose or to direct the disposition of (i) 7,087,271 shares owned of record by Ann K. Freel as indicated above, and (ii) 1,915,712 shares owned of record by Company employees as indicated above.

(c) In the past 60 days, no transactions in the shares of Common Stock were effected by the Reporting Person. The Reporting Person has entered into an Underwriting Agreement (a copy of which is attached hereto as Exhibit C) pursuant to which he has agreed to sell 2,645,371 shares of Common Stock to the underwriters named therein on February 2, 2005 at a price per share of $17.765. He has also granted the underwriters an option, exercisable on or before February 26, 2005, to purchase up to an additional 396,804 shares of Common Stock for $17.765 per share.

(d) Not applicable.

(e) Not applicable.

ITEM 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Other than the Underwriting Agreement attached hereto as Exhibit C and described in Item 4 above, the Stockholders' Agreement attached hereto as Exhibit A and described in Item 5 above, and the Grant Letters, a form of which is attached hereto as Exhibit B and described in Item 5 above, there are no contracts, arrangements, understandings or relationships (legal or otherwise) between the Reporting Person and any person with respect to any securities of the Company, including, but not limited to, transfer or voting of any of such securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

ITEM 7. Material to be Filed as Exhibits

Exhibit A	Stockholders' Agreement dated as of December 2, 2002
Exhibit B	Form of Grant Letter
Exhibit C	Underwriting Agreement dated as of January 27, 2005
Exhibit D	Power of Attorney in favor of Price W. Wilson previously filed as exhibit 24.1 to a Form 3 filed on behalf of Tracy Krohn dated January 27, 2005 and incorporated herein by reference.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

Date: February 10, 2005

By: /s/ Price W. Wilson
Price W. Wilson, as Attorney for Tracy W. Krohn

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized representative (other than an executive officer or general partner of the filing person), evidence of the representative's authority to sign on behalf of such person shall be filed with the statement: provided, however, that a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name and any title of each person who signs the statement shall be typed or printed beneath his signature.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001)

STOCKHOLDERS' AGREEMENT

OF

W&T OFFSHORE, INC.

DATED AS OF DECEMBER 2, 2002

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This Stockholders' Agreement is entered into as of this 2nd day of December, 2002 (the "Effective Date"), by and among W&T Offshore, Inc., a Nevada corporation (the "Company"), the existing stockholders of the Company listed on Schedule A attached hereto as such (the "Existing Stockholders"), and the other Persons listed on Schedule A attached hereto who are or will be receiving Shares of the Company.

W I T N E S S E T H:

WHEREAS, the FS Stockholders are presently acquiring securities of the Company; and

WHEREAS, as a condition to the obligations of the FS Stockholders to acquire such securities, the Company and all of its stockholders desire to set forth certain understandings with respect to the corporate governance and the rights of stockholders of the Company;

NOW THEREFORE, in consideration of the foregoing, the Company and each of the stockholders of the Company who are parties hereto, hereby agree as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement, the following capitalized terms shall have the respective meanings specified below:

"Accelerating Event" means the death or Disability of the CEO.

"Acquisition" means any transaction pursuant to which the Company or any subsidiary of the Company, in any transaction or series of related transactions for an aggregate purchase price in excess of $10,000,000, (a) acquires equity securities of any Person, (b) causes or permits any Person to be merged into or with the Company or any subsidiary of the Company, in any case pursuant to a merger, purchase of assets or any reorganization providing for the delivery or issuance to the holders of such Person's then outstanding securities, in exchange for such securities, of cash, securities or other property of the Company or any subsidiary of the Company, or a combination thereof, or (c) acquires (i) any business or line of business, (ii) any oil or gas assets, properties, rights or interests, or (iii) other assets or property of any Person.

"Affiliate" of a specified Person means (i) any other Person that, directly or indirectly, controls or is controlled by or is under common control with such Person, (ii) any other Person that owns, beneficially, directly or indirectly, 20% or more of the outstanding capital stock, shares or equity interests of such Person, (iii) any officer, director, employee, partner, member or trustee of such Person or any Person controlling, controlled by or under common control with such Person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such Person), (iv) if such other Person is an officer, director, stockholder as of the Effective Date, employee, partner, member or trustee of a Person, the Person for which such other Person acts in any such capacity, and (v) if such Person is an individual, the Immediate Family of such Person. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" or "under common control with"), when used with respect

to any specified Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, partnership interests, membership interests or other equity interests, by contract or otherwise.

"Agreement" means this Stockholders' Agreement, as it may be amended or supplemented from time to time.

"Articles of Incorporation" means the Company's Articles of Incorporation (or Certificate of Incorporation) as the same may be amended from time to time pursuant to Section 3.02.

"Auction Broker" means a Financial Expert or a Person listed as an Auction Broker on Exhibit A, as it may be supplemented from time to time by FS Private Investments III LLC by adding similar Persons with the consent of the CEO (or the Liquidating Trustee, as the case may be), which shall not be unreasonably withheld, in either case that is prepared to accept the engagement on customary terms, as determined on behalf of the Company in good faith by FS Private Investments III LLC, on behalf of the FS Stockholders.

"Board of Directors" means the board of directors of the Company.

"Breach Event" means any of the following events: (a) the Company shall fail to perform or observe any covenant or agreement contained herein (except for Sections 2.01(b) and (c)) and such failure shall continue unremedied for 30 consecutive days after notice thereof; (b) any violation of Section 2.01(b) or (c); or (c) the CEO's employment with the Company shall terminate by reason of resignation without Good Reason or for Cause (each as defined in the CEO Employment Agreement).

"Business" means, with respect to the Company, the business of oil and gas exploration or production on the Gulf of Mexico shelf and in the Gulf Coast (defined under "Compete" below) or such other and further business of the Company as the same may exist from time to time as approved by the Board of Directors pursuant to Section 3.02.

"Business Day" means any day other than a Saturday, Sunday or any other day on which banks in the Federal Reserve System are required or permitted to be closed.

"Cash to Assets Ratio" means, at any time, a fraction, expressed as a percentage, equal to (a) an amount equal to the Company's cash, cash equivalents, marketable securities and deposits less its funded indebtedness (including letters of credit, cash in lieu of treasury securities and treasury securities, but only if posted as surety) (as set forth on the Company's most recent quarterly balance sheet, which is part of its financial statements), divided by (b) an amount equal to the Reserve Report Value (based on reserve reports not more than three months old) of the Company's remaining assets plus the Company's cash, cash equivalents and marketable securities less such funded indebtedness (as set forth on the Company's most recent quarterly balance sheet, which is part of its financial statements).

"CEO" means Tracy W. Krohn.

"CEO Employment Agreement" means the employment agreement between the CEO and the Company dated as of the date hereof, as it may be amended or supplemented from time to time.

"Change in Control" means the consolidation or merger of the Company or sale of all or substantially all the assets or the property or business of the Company in a single transaction or in a series of related transactions other than any consolidation, merger or sale of assets, upon consummation of which Tracy W. Krohn holds, directly or indirectly, more than fifty percent (50%) of the voting power to elect directors of the consolidated or surviving or acquiring entity.

"Code" means the Internal Revenue Code of 1986, as it may be amended from time to time, or any successor statute.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means common stock of the Company, $.00001 par value per share.

"Company" shall have the meaning set forth in the preamble.

"Company Property" means all assets and property, whether tangible or intangible and whether real, personal or mixed, at any time owned by or held for the benefit of the Company.

"Compete" means (a) to engage in the oil and gas exploration or production business anywhere 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 (the "Gulf Coast") or (b) to appropriate a potential business opportunity that may be appropriate for the Company without first communicating and offering, for a reasonable period of time, such opportunity to the Company by written notice to each member of the Board of Directors, whether such Person pursues or acquires such opportunity for itself or directs such opportunity to another Person, in either case, directly or indirectly, individually or through an Affiliate or other Person acting on a Person'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 such Person at no time owns in excess of 1% of the outstanding securities of such corporation entitled to vote for the election of directors); provided, however, that W&T Offshore, LLC shall not be deemed to "compete" with the Company 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, to the extent of ½ of any working interest ownership that W&T Offshore, LLC would have in such new exploration well and Tracy W. Krohn and Ann K. Freel are in compliance with the Membership Interest Purchase Agreement dated as of a date on or prior to the Closing Date among the Company, Tracy W. Krohn and Ann K. Freel (the "Membership Interest Purchase Agreement").

"Competing Person" means any Person engaged in the business of oil and gas exploration or production which has 50% or more of its oil and gas reserves in the waters of the Gulf of Mexico.

"Competitor" means any Person engaged directly or indirectly in the oil and gas exploration or production business anywhere in the world.

"Contingent Trigger Date" means February 28, 2003 if by such date the transactions contemplated by the Agreement and Plan of Merger, dated as of May 7, 2002, by and among Burlington Resources Offshore, Inc., The Louisiana Land and Exploration Company, LLOXY Holdings, Inc. and the Company shall have not been consummated strictly in accordance with the terms thereof as in effect on the Effective Date.

"Credit Agreement" means the Amended and Restated Credit Agreement dated as of February 24, 2000, by and among the Company, Toronto Dominion (Texas), Inc., individually and as agent, and the Lenders party thereto (as in effect on the Effective Date), as the same may be amended or replaced from time to time.

"Derivative Securities" means Series A Preferred Stock or any other securities of the Company exercisable or exchangeable for or convertible into Common Stock.

"Director" means a member of the Board of Directors.

"Disability" shall have the meaning set forth in the CEO Employment Agreement.

"Effective Date" shall have the meaning set forth in the preamble.

"Exchange Agreement" means the Exchange Agreement, dated as of November 25, 2002, among the Company and the persons named as purchasers therein, as it may be amended, supplemented or modified from time to time.

"Exercise Period" shall have the meaning set forth in Section 5.04(b).

"Existing Stockholder" shall have the meaning set forth in the preamble.

"Fair Market Value" of the Company means, at the time of determination, utilizing customary investment banking methodology, the greater of (a) the amount that a willing buyer would pay to a willing seller for free and clear title to (i) 100% of the equity securities of the Company, including its subsidiaries, if any, or (ii) all or substantially of the assets of the Company, including its subsidiaries, if any, and (b) the likely pre-transaction equity value that would be ascribed to 100% of the equity securities of the Company by a nationally recognized managing underwriter for the purpose of its determination of the amount and public offering price of the Company's equity securities to be offered, on a typical firm commitment basis, in the initial public offering of such equity securities, in each case taking into account (1) the Company would continue as a "going concern," (2) all of the Company's and its subsidiaries', if any, executives and key employees during the twelve months preceding the Valuation Date would continue indefinitely in the employ of the Company or its subsidiaries, as the case may be, at

their historic levels of compensation on an "at will" basis and (3) the conversion, exchange or exercise of all dilutive Derivative Securities outstanding, determined in accordance with GAAP on the Valuation Date, and the payment to the Company, prior to the closing of the transaction, of the conversion, exchange or exercise price in connection therewith, and disregarding any liability of the Company in connection with the Long-Term Incentive Compensation Plan.

"Financial Expert" means an investment banking firm listed as a Financial Expert on Exhibit A, as it may be supplemented from time to time by FS Private Investments III LLC by adding similar Persons with the consent of the CEO (or the Liquidating Trustee, as the case may be), which shall not be unreasonably withheld, which firm is prepared to accept the engagement on customary terms, as determined on behalf of the Company in good faith by FS Private Investments III LLC, on behalf of the FS Stockholders.

"Fiscal Year" shall have the meaning set forth in Section 4.01.

"FS Directors" shall have the meaning set forth in Section 3.01(b).

"FS Management Company" means FS Private Investments III LLC and any management company that is a successor to, or an Affiliate of, FS Private Investments III LLC.

"FS Stockholders" means the Initial FS Stockholders and any Other Investors, and any transferee of any of the foregoing admitted as a substitute Stockholder pursuant to Section 5.01.

"Fully Diluted Basis" when referring to the shares of the Common Stock means the sum of (i) the total number of issued and outstanding shares of Common Stock, (ii) the total number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock, (iii) the total number of shares of Common Stock issuable upon conversion of any other Derivative Securities and (iv) the total number of shares of Common Stock issuable pursuant to awards under the Long-Term Incentive Compensation Plan (or any successor or substitute to such plan).

"GAAP" means United States generally accepted accounting principles consistently applied.

"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, Stockholders or participants at all times in question are, directly or indirectly, one or more of the Persons described above and/or such individual).

"Initial FS Stockholders" means ING Furman Selz Investors III L.P., ING Barings U.S. Leveraged Equity Plan LLC, ING Barings Global Leveraged Equity Plan Ltd., any funds for which FS Private Investments III LLC serves as the investment advisor.

"IPO" means the first underwritten public offering by the Company or a successor corporation of the Company of equity securities offered on a "firm commitment" or "best

efforts" basis pursuant to a registration statement filed with the Commission under the Securities Act.

"Jefferies" means Jefferies & Company, Inc.

"Liquidating Trustee" shall have the meaning set forth in Section 6.01.

"Liquidation" means the occurrence of any of the following: (a) any liquidation, dissolution or winding up of the Company, or any other distribution of the assets of the Company to the Stockholders for the purpose of winding up its affairs, whether voluntary or involuntary; or (b) a Sale of the Company.

"Liquidation Preference" means $25.00 per share of Series A Preferred Stock (as adjusted for stock splits, dividends, reclassifications and the like), reduced by the amount of any dividend or distribution to a Preferred Stockholder with respect to such Series A Preferred Stock.

"Long-Term Incentive Compensation Plan" means the Long-Term Incentive Plan attached hereto as Exhibit B.

"LTM Cash Flow" means, at any time, net cash provided by operating activities (as defined in the Company's statement of cash flows which are part of its financial statements) for the latest 12-month period giving pro forma effect (in accordance with generally accepted accounting principles) to any acquisitions of Oil and Gas Interests during or since such 12-month period.

"Nevada Act" means the business corporation law of the State of Nevada.

"New Securities" shall have the meaning set forth in Section 5.04(a).

"Non-Liquidity Event" means the fifth anniversary of the Effective Date if by such date the Company or its successor corporation has not consummated a Qualified IPO.

"Notice of Intent to Sell" means a written notice provided to the Company and each of the Stockholders (as applicable) of the desire to effect a Sale of the Company pursuant to Section 5.06.

"Offering Period" shall have the meaning set forth in Section 5.04(c).

"Oil and Gas Interests" shall have the meaning set forth in the Exchange Agreement.

"Other Investors" means one or more investors to which the Initial FS Stockholders may Transfer within 180 days of the Effective Date not more than 40% in the aggregate of their shares of Series A Preferred Stock.

"Other Stockholders" shall have the meaning set forth in Section 5.03(a).

"Participating Stockholder" shall have the meaning set forth in Section 5.03(b).

"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.

"Petroleum Engineer" means a petroleum engineer listed as a Petroleum Engineer on Exhibit A, as it may be supplemented from time to time by adding similar Persons by FS Private Investments III LLC with the consent of the CEO (or the Liquidating Trustee, as the case may be), which shall not be unreasonably withheld, which firm is prepared to accept the engagement on customary terms, as determined on behalf of the Company in good faith by FS Private Investment III LLC, on behalf of the FS Stockholders.

"Preferred Stockholder" means a Stockholder holding Series A Preferred Stock.

"Primary Distribution" shall have the meaning set forth in the Articles of Incorporation.

"Proportionate Percentage" means, with respect to a Stockholder, a fraction (expressed as a percentage), the numerator of which is the total number of votes such Stockholder is entitled to cast when the holders of Common Stock and the holders of Series A Preferred Stock vote as a single class and the denominator of which is the Total Voting Power.

"Put Price" means the amount equal to (a) the Fair Market Value of the Company on the Valuation Date, divided by (b) the number of shares of Common Stock on a Fully Diluted Basis.

"Qualified IPO" means an IPO that generates gross proceeds to the Company of at least $100 million and that results in the aggregate number of equity securities of the Company held by the FS Stockholders on the Effective Date having an aggregate fair market value (based on the initial public offering price) of at least $100 million.

"Related Person" of any Person means any other Person directly or indirectly owning (i) 5% or more of the outstanding common stock of such Person (or, in the case of a Person that is not a corporation, 5% or more of the outstanding equity interests in such Person) or (ii) 5% or more of the combined voting power of the voting capital stock of such Person.

"Remaining New Securities" shall have the meaning set forth in Section 5.04(c).

"Reserve Report Value" means the value of proved reserves included in the Oil and Gas Interests, as set forth in the Company's most current reserve reports prepared in the ordinary course of business consistent with the standards of the Society of Petroleum Evaluation Engineers and the Securities and Exchange Commission except that product pricing shall be current prices at the effective date of such reserve reports, using a discount factor of 10% and after adjusting for acquisitions and dispositions of proved reserves and for actual production from the date of such reserve reports, less reasonable good faith estimates of related plug and abandonment costs.

"Sale of the Company" means the consolidation or merger of the Company or any other form of business combination or reorganization resulting in a Change in Control, or a sale of all

or substantially all the equity securities or assets or property or business of the Company in a single transaction or in a series of related transactions.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

"Series A Preferred Stock" means the Series A preferred stock, $.00001 par value per share, of the Company.

"Shares" means the shares of Common Stock and the shares of Series A Preferred Stock.

"60% Asset Sale" means the sale by the Company, at any time and from time to time, of all or greater than 60% of the proved reserves included in its Oil and Gas Interests (based on Reserve Report Value using reserve reports not more than three months old) (whether now owned or hereafter acquired and whether in a single transaction or in a series of related transactions).

"Stockholder" means any holder of Common Stock or Series A Preferred Stock of the Company who is a party hereto.

"Stockholder Accelerating/Breach Event Optional Redemption Date" shall have the meaning set forth in Section 5.05(b)(ii).

"Stockholder Liquidity Notice" shall have the meaning set forth in Section 5.05(a)(iii).

"Stockholder Non-Liquidity Event Optional Redemption Date" shall have the meaning set forth in Section 5.05(b)(i).

"Stockholder Optional Redemption" shall have the meaning set forth in Section 5.05(a)(i).

"Stockholder Optional Redemption Date" means a Stockholder Non-Liquidity Event Optional Redemption Date or a Stockholder Accelerating/Breach Event Optional Redemption Date, as applicable.

"Stockholder Optional Redemption Event" means the earliest to occur of: (a) a Non-Liquidity Event, (b) an Accelerating Event or (c) a Breach Event.

"Stockholder Optional Redemption Notice" shall have the meaning set forth in Section 5.05(a)(i).

"Stockholder Optional Redemption Price" shall have the meaning set forth in Section 5.05(a)(i).

"Tag-Along Notice" shall have the meaning set forth in Section 5.03(b).

"Tag-Along Notice Period" shall have the meaning set forth in Section 5.03(b).

"$10 Million Asset Sale" means the sale by the Company, at any time and from time to time, of all or any part of its assets or property or business (whether now owned or hereafter acquired and whether in a single transaction or in a series of related transactions) for an aggregate purchase price in excess of $10,000,000, provided that such term shall not include a Sale of the Company or a 60% Asset Sale.

"Third Party" means a prospective purchaser of Common Stock or Series A Preferred Stock in an arm's-length transaction in which such purchaser is not, has never been and has no prospect of being a Stockholder or an Affiliate of a Stockholder or the Company or an Affiliate of the Company except as a result of the prospective purchase.

"Third Party Notice" shall have the meaning set forth in Section 5.03(a).

"Third Party Offer" shall have the meaning set forth in Section 5.03(a).

"Total Voting Power" means, at any date of determination, the sum of the votes entitled to be cast by (i) the outstanding shares of Common Stock held by the Stockholders and (ii) such number of shares of Common Stock into which all shares of Series A Preferred Stock then outstanding are convertible pursuant to the Articles of Incorporation.

"Transfer" is to be construed broadly and includes any sale, transfer, assignment, endorsement, mortgage, pledge, hypothecation, participation, grant of an option to any Person to acquire, grant of a security interest in, or other disposition of or encumbrance (whether voluntary, involuntary or by operation of law).

"Transferring Stockholder" shall have the meaning set forth in Section 5.03(a).

"Valuation Date" means the date of receipt of the Stockholder Optional Redemption Notice.

ARTICLE II

ACTIVITIES OF THE STOCKHOLDERS

Section 2.01. Other Activities of Stockholders or Affiliates; Conflict of Interest Waiver; Non-Competition and Non-Solicitation; Company Opportunities

(a) Subject to the terms of any employment or other agreement between a Stockholder or an Affiliate thereof and the Company and Sections 2.01(b) and (c) below, any Stockholder or any Affiliate thereof may have other business interests and may engage in other business ventures of any nature or description whatsoever, whether currently existing or hereafter created, and neither the Company nor the other Stockholders shall have any right to any income or profit derived from any such other business venture of a Stockholder or any Affiliate thereof. Except as provided in Sections 2.01(b) and (c) below, each Stockholder agrees that nothing herein shall limit or otherwise restrict the other Stockholders and their respective Affiliates from engaging in, acquiring and possessing, without accountability to the other

Stockholders or the Company, any calling, business, profession, investment, or interest independently or with others, including, but not limited to, the acquisition, ownership, financing, leasing, operation, management or development of any business, which may be competitive or conflict with the businesses and objectives of the Company.

(b) Neither any of the Existing Stockholders nor any of their Affiliates, however, may, directly or indirectly:

(i) compete with the Company, 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; or

(ii) solicit, call upon, divert or take away any of the customers of the Company (or any predecessor in interest) for the purposes of causing or of attempting to cause any such Person to purchase products sold or services rendered by the Company from any Person other than the Company or otherwise divert any business from the Company; or

(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.

For purposes of this Section 2.01, (i) a "customer," as of any date, shall include: (1) anyone who is then a customer of the Company; (2) anyone who was a customer at any time during the immediately preceding one-year period; and (3) any prospective customer to whom the Company had made a presentation or other offering of services within the immediately preceding one-year period and (ii) the term "the Company" shall be deemed to refer to the Company, its subsidiaries and Affiliates.

(c) The CEO acknowledges that he is bound by certain non-competition and non-solicitation provisions set forth in the CEO Employment Agreement, which provisions are incorporated herein in their entirety by reference.

(d) Notwithstanding any other provision of this Agreement, if any employee, member or Affiliate of an FS Management Company shall serve on the board of directors (or similar governing body) of a Competing Person, (i) FS Private Investments III LLC shall give the Company prompt written notice thereof, promptly after learning thereof, (ii) any employee, member or Affiliate of an FS Management Company then serving on the Company's Board of Directors shall resign promptly thereafter and (iii) FS Private Investments III LLC shall be permitted to appoint in accordance with Section 3.01(b) one or more substitute designees who are not employees, members or Affiliates of an FS Management Company; provided, however, that Ascent Energy, Inc. shall not be a Competing Person for purposes of this Section 2.01(d).

(e) The CEO and each Stockholder that designates an Affiliate or Related Person to serve on the Board of Directors hereby acknowledges and agrees that any breach of Section

2.01(b), (c) or (d), as applicable, is likely to result in irreparable injury to the Company and the other Stockholders, that monetary damages will be an inadequate remedy of such breach and that, accordingly, in addition to any other remedy at law or otherwise that the Company and the other Stockholders may have, the Company and the other Stockholders shall be entitled to enforce the specific performance of Section 2.01(b), (c) or (d), as applicable, and to seek both permanent and temporary relief in the event of any breach hereof.

(f) Notwithstanding any other provisions of this Agreement, if any of the FS Stockholders, Jefferies or any of their respective Affiliates acquires knowledge of a potential transaction or matter that may be an opportunity for the Company, then such Person and any Directors designated by such Person shall not have a duty to communicate or offer such opportunity to the Company or be liable to the Company for breach of any fiduciary duty as a Stockholder or Director, by reason of the fact that such Person pursues or acquires such opportunity for itself, directs such opportunity to another Person or does not communicate information regarding, or offer, such opportunity to the Company.

(g) Notwithstanding anything to the contrary herein contained, the foregoing provisions of this Section 2.01 are not intended to modify or otherwise alter the fiduciary duties and obligations of a member of the Board of Directors under the law of the jurisdiction of incorporation of the Company.

Section 2.02. Certain Transactions

(a) The Company is expressly permitted in the normal course of its business to enter into transactions with any or all Stockholders or with any Affiliate of any or all Stockholders provided that the price and other terms of such transactions are, in the judgment of the Board of Directors, with the consent of one of the FS Directors, fair to the Company and that the price and other terms of such transactions are not, in the determination of the Board of Directors, with the consent of one of the FS Directors, materially less favorable to the Company than those generally prevailing with respect to comparable transactions between unrelated parties.

(b) The Stockholders acknowledge and agree that W&T Offshore, LLC will have no employees or offices. W&T Offshore, LLC may make use, on a part-time basis, of the services of one administrative employee of the Company and, on an incidental basis, of the offices, facilities, other employees and other business infrastructure of the Company without being required to reimburse the Company, except for actual out-of-pocket expenses.

Section 2.03. Compensation; Loans

(a) Except as otherwise specifically provided in this Agreement and under the CEO Employment Agreement, and except for annual compensation payable to Jerome F. Freel and Ann K. Freel in an amount of $250,000 in the aggregate, no Stockholder or Affiliate of any Stockholder shall receive any salary, fee or draw for services rendered to or on behalf of the Company or otherwise in its capacity as a Stockholder, nor shall any Stockholder or Affiliate of any Stockholder be reimbursed for any expenses incurred by such Stockholder or Affiliate on behalf of the Company or otherwise in its capacity as a Stockholder.

(b) Any Person may, with the consent of the Board of Directors, which shall include the consent of one of the FS Directors, lend or advance money to the Company. If any Stockholder shall make any loan or loans to the Company or advance money on its behalf, the amount of any such loan or advance shall be treated as a debt due from the Company. The amount of any such loan or advance by a lending Stockholder shall be repayable out of the Company's cash and, except as otherwise provided herein, shall bear interest at such rate as the Board of Directors, which shall include the consent of one of the FS Directors, and the lending Stockholder shall agree but not in excess of the maximum rate permitted by law. None of the Stockholders, in their capacity as such, shall be obligated to make any loan or advance to the Company.

Section 2.04. Distributions

The FS Stockholders shall have the right to cause the Company to, and the Company shall, declare and pay a dividend or distribution to the Stockholders as follows:

(a) 365 days after the occurrence of a $10 Million Asset Sale, an amount equal to the excess of (i) the aggregate net cash, cash equivalents and/or marketable securities received by the Company in respect of the $10 Million Asset Sale, reduced by any amounts required to be applied to the repayment of indebtedness secured by a lien on the asset or assets that were the subject of such asset sale, over (ii) the capital expenditures (including Acquisitions) incurred by the Company during such 365-day period; such dividend or distribution to be paid *pari passu* to the holders of Common Stock and Series A Preferred Stock on an as-converted basis as promptly as practicable after the close of such 365-day period; and

(b) if the Cash to Assets Ratio is greater than or equal to 60% as of the last day of the two consecutive fiscal quarters immediately following the occurrence of a 60% Asset Sale, an amount equal to the aggregate net cash, cash equivalents and/or marketable securities received by the Company in respect of the 60% Asset Sale, reduced by any amounts required to be applied to the repayment of indebtedness secured by a lien on the asset or assets that were the subject of such asset sale, as follows:

(i) if the Reserve Report Value of the Company's remaining proved reserves included in the Oil and Gas Interests, less funded indebtedness (including letters of credit, cash in lieu of treasury securities and treasury securities, but only if posted as surety) and less reasonably estimated costs incurred or to be incurred by the Company following such 60% Asset Sale assuming a Liquidation as of the end of the second of such fiscal quarters is less than or equal to the amount necessary to satisfy in full the Primary Distribution, after giving pro forma effect to the amount of such distribution, in accordance with the provisions of Article IV, Section B2 of the Articles of Incorporation (such event being referred to herein as a "60% Distribution Event"); or

(ii) if the proved reserves included in the Reserve Report Value of the Company's remaining Oil and Gas Interests, less such funded indebtedness and less such reasonably estimated costs as of the end of the second of such fiscal quarters is greater than the amount necessary to satisfy in full the Primary Distribution, after giving pro forma effect to

the amount of such distribution, to the holders of the Common Stock and the Series A Preferred Stock on a*pari passu* basis;

the distribution pursuant to this Section 2.04(b)(ii) shall be made as promptly as practicable after the end of the second of such fiscal quarters.

Section 2.05. Proxies

The Existing Stockholders do hereby irrevocably grant to the CEO and, upon the death or Disability of the CEO, such Stockholders do hereby irrevocably grant to the Liquidating Trustee, with full power of substitution, the irrevocable right and proxy to act in any way that such Stockholders could act as a Stockholder of the Company, including voting all of the Shares of the Company currently registered in such Stockholders' names for and in the name, place and stead of such Stockholders, at any annual, special or other meeting of the Stockholders of the Company or pursuant to any written consent in lieu of a meeting, with respect to any matter submitted to holders of the Company's Stockholders for their approval.

(a) Each of the FS Stockholders does hereby irrevocably grant to FS Private Investments III LLC and its successors and assigns, with full power of substitution, the irrevocable right and proxy to vote all of the shares of Series A Preferred Stock of the Company currently registered in such Stockholder's name for and in the name, place and stead of such Stockholder, at any annual, special or other meeting of the Stockholders of the Company or pursuant to any written consent in lieu of a meeting, with respect to any matter submitted to holders of the Company's Stockholders.

(b) Jefferies does hereby irrevocably grant to FS Private Investments III LLC and its successors and assigns, with full power of substitution, the irrevocable right and proxy to act in any way that Jefferies could act as a Stockholder of the Company, including voting all of the shares of Common Stock of the Company currently registered in such Stockholder's name for and in the name, place and stead of such Stockholder, at any annual, special or other meeting of the Stockholders of the Company or pursuant to any written consent in lieu of a meeting, with respect to any matter submitted to holders of the Company's Stockholders.

(c) Each of the above proxies shall be coupled with an interest, shall not be transferred under any circumstances, shall survive the liquidation or dissolution (or death) of such Stockholder, and shall be binding on the heirs, legal representatives, successors and assigns of such Stockholder.

ARTICLE III

MANAGEMENT AND OPERATION OF BUSINESS

Section 3.01. Board of Directors

(a) Each member of the Board of Directors shall have access to all reports and information, including all reserve reports and updates thereto, concerning the Company, and to all employees and assets of the Company, as he or she shall request.

(b) The Board of Directors shall at all times consist of five Directors, three of whom shall be designated by Tracy W. Krohn (or, upon his death or Disability, the Liquidating Trustee) and, for so long as the FS Stockholders are the holders, in the aggregate, of at least 5% of the Total Voting Power, two of whom shall be designated by the FS Stockholders (the "FS Directors"), acting through FS Private Investments III LLC. Tracy W. Krohn initially designates Tracy W. Krohn and Jerome F. Freel as his directors and the FS Stockholders initially designate James L. Luikart and Stuart B. Katz as their directors. A third director shall be designated by Tracy W. Krohn at a future date to be determined in his sole discretion. Each Director shall serve as a Director until the earlier to occur of his death, retirement, resignation or removal by the Stockholder or group of Stockholders appointing such Director. Any Director may be removed with or without cause by the Stockholder or group of Stockholders who appointed such Director. Upon the death, retirement, resignation or removal of any Director, the Stockholder or group of Stockholders who appointed such Director shall designate the replacement Director.

(c) If at any time the Board of Directors designates a committee or committees to act on behalf of the Board of Directors, at least one of the FS Directors shall be a member of such committee or committees.

(d) Subject to Section 3.02, no action may be taken at a meeting of the Board of Directors unless a quorum consisting of at least a majority of the entire Board of Directors is present (which majority shall include at least one of the FS Directors, unless the FS Directors have failed to attend at least two consecutive duly called meetings of the Board of Directors within the 14-day period immediately prior to such Board of Directors meeting. This Section 3.01(d) does not vitiate the requirements under Section 3.02 for approval of certain actions by at least one FS Director.

(e) Except as provided in Section 3.02, any decision to be made by the Board of Directors shall require the affirmative vote of a majority of the votes entitled to be cast by the entire Board of Directors.

(f) The Board of Directors shall hold meetings at least six times a year, and at least once every other calendar month.

(g) The Company and the Stockholders agree that at all times the Articles of Incorporation and the Company's By-Laws will contain provisions indemnifying directors to the fullest extent permitted under applicable law.

Section 3.02. Decisions Generally

Notwithstanding the foregoing, until the consummation of a Qualified IPO, neither the Board of Directors nor any committee thereof may make a decision with respect to any of the following without the affirmative vote of at least one of the FS Directors:

(a) amend, modify, supplement or terminate this Agreement, the Articles of Incorporation or the By-Laws;

(b) permit the Company to (i) merge with, or consolidate into, another Person unless (A) Tracy W. Krohn, directly or indirectly, is the ultimate beneficial owner of more than fifty percent (50%) of (1) the aggregate equity securities (on a fully diluted basis) of the consolidated or surviving entity and (2) the voting power of all classes of equity securities entitled to vote generally in the election of directors of the consolidated or surviving entity and (B) the rights granted hereunder and in the Articles of Incorporation, including, without limitation, the redemption rights set forth in Section 5.05 and the Sale of the Company rights set forth in Section 5.06 of this Agreement and the rights set forth in Article IV, Section B of the Articles of Incorporation, to the FS Stockholders and to the holders of the Series A Preferred Stock, are not adversely affected, (ii) reorganize or otherwise change the organizational form of the Company into any other form of entity (otherwise than to effect a reincorporation in Delaware where the equity interests in the changed entity immediately before such reincorporation shall be the same as in the Company) or (iii) enter into a Sale of the Company, unless such Sale of the Company generates cash distributions or other liquid securities (in each case, net of all related expenses) to the FS Stockholders of at least $100 million, except pursuant to a Sale of the Company in accordance with Section 5.06(a) (it being understood that the inclusion of this subsection is not to be considered a guarantee on the part of any party of a $100 million return to the FS Stockholders of their investment in the Company);

(c) engage in any business other than the Business and related services and activities appropriate or necessary in connection therewith;

(d) permit the Company to (i) issue, sell (except in connection with a Qualified IPO) or otherwise dispose of, or purchase, redeem (excluding a redemption pursuant to the provisions of the Company's Articles of Incorporation) or otherwise acquire, or effect a recapitalization or reclassification of, any equity securities (including shares of Common Stock), or permit any Stockholder to do any of the foregoing with respect to all or any portion of or interest in its Common Stock other than in accordance with the specific terms of this Agreement or the Exchange Agreement or (ii) grant any right (or the preemptive right) or any option to subscribe for or purchase, or enter into any agreement for the issuance (contingent or otherwise) of, or create any call, commitment, claim or other right of any character relating to any equity securities in the Company other than in accordance with the specific terms of this Agreement, the Long-Term Incentive Compensation Plan (so long as the aggregate number of shares issued pursuant to such plan shall not exceed 5% of the Common Stock on a Fully Diluted Basis) the Exchange Agreement or pursuant to option plans of the Company approved by the Board of Directors pursuant to this Section 3.02;

(e) approve any amendment, modification, waiver, supplement or extension of any of the terms of the CEO Employment Agreement and the granting of bonuses and salary increases under the CEO Employment Agreement;

(f) (i) permit the Company to enter into any agreement, understanding, transaction or arrangement in which a Stockholder or any Affiliate of a Stockholder has at the time a direct or indirect interest or amend or modify such agreement, understanding, transaction or arrangement so entered into in accordance with this clause (f) or (ii) make any payment, directly or indirectly,

to any Stockholder or any Affiliate of a Stockholder except under the CEO Employment Agreement or to Jerome F. Freel and Ann K. Freel as contemplated by Section 2.03(a);

(g) permit the Company to make loans or guarantee, assume or otherwise become responsible for obligations of any other Person in an amount exceeding the greater of $30,000,000 or 25% of LTM Cash Flow at any one time outstanding;

(h) create, incur or assume or otherwise become or remain liable with respect to indebtedness for borrowed money other than from a bank (or banks) pursuant to a first lien collateral based facility at an interest rate not to exceed LIBOR plus 3.0%;

(i) incur or commit to any capital expenditures or any obligations or liabilities in connection therewith, in the aggregate, in any Fiscal Year, in an amount greater than LTM Cash Flow, except that the Company may incur capital expenditures or obligations relating to an authorization for expenditure from other working interest owners;

(j) permit the Company to do any of the activities described in Sections 2.02 and 2.03(b); or

(k) consent to the Transfer of Common Stock or Series A Preferred Stock pursuant to Section 5.01(a).

Section 3.03. Decisions Regarding W&T Offshore, LLC

The determination of whether or not the Company should exercise or not exercise any right of first refusal with respect to a working interest ownership under the Membership Interest Purchase Agreement or accept any offer of a working interest ownership under the Employment Agreement of the CEO of the Company dated of even date herewith shall be made by the FS Directors and shall not require action by the Board of Directors.

Section 3.04. Compensation; Expenses

The Company shall reimburse the Directors for their reasonable expenses incurred in attending each board or committee meeting or otherwise serving as Director.

ARTICLE IV

FISCAL YEAR; BOOKS AND RECORDS; FINANCIAL STATEMENTS

Section 4.01. Fiscal Year

The fiscal year of the Company for financial, accounting, Federal, state and local income tax purposes (the "Fiscal Year") shall end on December 31, unless another Fiscal Year end is selected by the Board of Directors.

Section 4.02. Books and Records

The Board of Directors shall keep, or cause to be kept, accurate, full and complete books and accounts showing assets, liabilities, income, operations, transactions and the financial condition of the Company. Such books and accounts shall be prepared on an accrual basis. The books and records of the Company will be maintained at the principal place of business of the Company, or at any other location the Board of Directors selects provided that the Company keeps at its principal place of business the records required by the Nevada Act to be maintained there. Appropriate records in reasonable detail will be maintained to reflect income tax information for the Stockholders. Each Stockholder or its designee may inspect and, at its expense, make copies of the books and records maintained by the Company during reasonable business hours and upon reasonable notice.

Section 4.03. Financial Statements and Information

The Board of Directors shall, at the Company's expense, provide the Stockholders with the information required to be provided to the holders of Series A Preferred Stock in the Exchange Agreement and such other reports and information concerning the business and affairs of the Company as may be required by the Nevada Act or by any other law or regulation or any regulatory body applicable to the Company.

ARTICLE V

TRANSFERS

Section 5.01. Restrictions on Transfer; Legend

(a) No Stockholder nor any assignee or successor in interest of any Stockholder, shall (voluntarily or involuntarily) directly or indirectly, Transfer its Shares or any economic benefit therein (including a Transfer pursuant to a foreclosure sale of any of the assets of a Stockholder), or in any part thereof, or in all or any part of the Company Property, without the prior written consent of the Board of Directors, except that (i) a Stockholder may Transfer its Shares to a Person which is and at all times after such Transfer and while held by such Person will be an Affiliate of such Stockholder (each Existing Stockholder being deemed to be Affiliates of each other for this purpose) and (ii) the Initial FS Stockholders may Transfer not more than 40% in the aggregate of their initial Shares to Other Investors during the 180-day period immediately following the Effective Date.

(b) Subject to Section 5.01(a), any transferee of a Share shall become a substitute Stockholder upon (i) the transferee agreeing to be bound by all the terms and conditions of this Agreement as then in effect; (ii) compliance with applicable federal and state securities laws; (iii) receipt of any necessary regulatory approvals and (iv) execution and delivery of an irrevocable proxy in favor of (A) in the event of a Transfer by an FS Stockholder or Jefferies (or any transferee of an FS Stockholder or Jefferies), FS Private Investments III LLC, and (B) in the event of a Transfer by an Existing Stockholder, the CEO (or the Liquidating Trustee as the case may be), in the form attached hereto as Exhibit C. Unless and until a transferee is admitted as a substitute Stockholder, the transferee shall have no right to exercise any of the powers, rights and

privileges of a Stockholder hereunder. A Stockholder who has transferred its Shares shall cease to be a Stockholder upon Transfer of all of the Stockholder's Shares and thereafter shall have no powers, rights and privileges as a Stockholder hereunder.

(c) Any certificates representing any securities of the Company 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 THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."
>
> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN STOCKHOLDERS' AGREEMENT DATED AS OF _____, 200_, BY AND AMONG W&T OFFSHORE, INC. AND ITS STOCKHOLDERS, AS MAY BE AMENDED, MODIFIED OR SUPPLEMENTED FROM TIME TO TIME. COPIES OF THE AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION."

Section 5.02. Non-Permitted Transfers

Any attempted Transfer of any Shares or any economic interest therein that is not in compliance with this Article V shall be null and void ab initio, regardless of any notice provided to the Company, and shall not create any obligation or liability of the Company to the purported transferee. Any Person purportedly acquiring any Shares or any economic benefit therein purportedly transferred not in compliance with this Article V shall not be entitled to be recognized by the Company as a stockholder, and the Company may retain and recover all dividends on such Shares which were paid or payable subsequent to the date on which the prohibited transfer was made or attempted. The parties engaging or attempting to engage in such Transfer shall indemnify and hold harmless the Company, the Board of Directors and the other Stockholders from all cost, liability and damage that any of such indemnified persons may incur (including, without limitation, attorneys' fees and expenses) as a result of such Transfer or attempted Transfer and the enforcement of this indemnity.

Section 5.03. Tag-Along Rights

Until the consummation of a Qualified IPO, in the case of all Transfers by a Stockholder other than those Transfers permitted by Sections 5.01(a)(i) and (ii):

(a) If a Stockholder which shall have received the consent of the Board of Directors as contemplated by Section 5.01(a) (a "Transferring Stockholder") intends to transfer any of the Shares then owned by or in the name of such Transferring Stockholder to a Third Party (a "Third Party Offer"), the Transferring Stockholder shall promptly, acting in good faith (i) cause the Third Party Offer to be reduced to writing, which shall identify the Third Party, the number and class of Shares proposed to be transferred to the Third Party by the Transferring Stockholder, the price to be paid by the Third Party and all other material terms and conditions of the Third Party Offer and (ii) provide written notice (the "Third Party Notice") of such Third Party Offer to each of the other Stockholders (the Stockholders receiving a Third Party Notice pursuant to this sentence being collectively referred to herein as the "Other Stockholders"), which Third Party Notice shall (x) contain an offer by such Third Party to purchase or otherwise acquire from each Other Stockholder such Other Stockholder's Shares (to the extent such Third Party Offer shall be allocable to such Other Stockholder pursuant to the next sentence) on the same terms and conditions as the Third Party Offer (provided that, for purposes of this Article V, each share of Series A Preferred Stock shall be deemed to be the number of shares of Common Stock then issuable upon the conversion thereof, and except that the only representation and warranty that such Other Stockholder shall be required to make in connection with any such Transfer is a warranty with respect to his or its own ownership of the Shares to be sold by him or it and his or its ability to convey title thereto free and clear of any and all liens, mortgages, pledges, security interests or other restrictions or encumbrances), (y) be accompanied by a true and correct copy of the Third Party Offer and (z) specify the total number of each class of Shares then owned by the Transferring Stockholder. Each such Other Stockholder may sell up to a pro rata portion of its Shares which is equal to the number of its Shares multiplied by a fraction, the numerator of which is the total number of Shares which the Transferring Stockholder intends to sell and the denominator of which is the total number of Shares owned by the Transferring Stockholder. For purposes of the calculations set forth in this Section 5.03, any shares of Series A Preferred Stock owned by the Stockholders shall be deemed to be converted into shares of Common Stock.

(b) Each Other Stockholder desiring to accept the offer (each, a "Participating Stockholder") set forth in the Third Party Notice shall, within 10 Business Days after the date the Third Party Notice is received by such Other Stockholder (as such period may be extended pursuant to Section 5.03(d), the "Tag-Along Notice Period"), deliver a written notice to the Transferring Stockholder the ("Tag-Along Notice"), which notice shall (i) specify the number and class of Shares which such Participating Stockholder wishes to Transfer pursuant to the Third Party Offer and the number and class of Shares then owned by such Participating Stockholder and (ii) constitute a firm acceptance by such Participating Stockholder of the Third Party Offer, except as otherwise provided in Section 5.03(d).

(c) If one or more Participating Stockholders give the Transferring Stockholder a timely Tag-Along Notice, then the Transferring Stockholder shall use all reasonable efforts to cause the Third Party to agree to acquire all Shares identified in all Tag-Along Notices that are

timely given to the Transferring Stockholder, upon the same terms and conditions as are applicable to the Transferring Stockholder's Shares. If such Third Party is unwilling or unable to acquire all of such additional Shares upon such terms, then the Transferring Stockholder shall elect either to cancel such proposed Transfer or to permit each Participating Stockholder to sell all or any part of a number of Shares equal to the product obtained by multiplying (i) the aggregate number of Shares covered by the Third Party Offer by (ii) a fraction, the numerator of which is the number of Shares at the time owned by such Participating Stockholder and the denominator of which is the combined number of Shares at the time deemed owned by the Transferring Stockholder and all Participating Stockholders.

(d) If the terms and conditions of the Third Party Offer shall be modified in any way prior to the consummation of the respective Transfers of Shares contemplated by such Third Party Offer, the Transferring Stockholder shall send an amended Third Party Notice to each of the Other Stockholders. If any Other Stockholder desires to Transfer Shares pursuant to the Third Party Offer, as so amended, or any Participating Stockholder desires to amend or withdraw his or its Tag-Along Notice, it may, prior to the later of the date three Business Days after such amended Third Party Notice is received by such Other Stockholder and the end of the original Tag-Along Notice Period, deliver a Tag-Along Notice, an amended Tag-Along Notice or a notice of withdrawal as the case may be; provided that if no such notice is received, such Other Stockholder (if not a Participating Stockholder) shall be deemed to have elected not to participate in the Third Party Offer or such Other Stockholder (if a Participating Stockholder) shall be deemed to have elected to participate in such Third Party Offer to the extent of the original number of Shares that such Participating Stockholder shall have elected to Transfer.

(e) Within three Business Days after the termination of the Tag-Along Notice Period (including any extension thereof) with respect to any Third Party Offer, the Transferring Stockholder, after review of the Tag-Along Notices received, and notices of withdrawal, if any, shall give written notice to each Participating Stockholder of (A) number of such Participating Stockholder's Shares to be purchased pursuant to the Third Party Offer, showing the basis for the calculation thereof, and (B) the time and place of the closing, which shall occur not fewer than two Business Days and not more than 15 Business Days from the date such notice is given. At the closing, each Participating Stockholder shall, and hereby covenants to, Transfer such Participating Stockholder's Shares to such Third Party free and clear of any and all liens, mortgages, pledges, security interests or other restrictions or encumbrances, against payment of the purchase price for such Shares. If any Participating Stockholder fails to deliver any Shares to the Third Party, each of the other Participating Stockholders (and the Transferring Stockholder) shall be entitled to increase the number of Shares that it may Transfer in connection with the Third Party Offer by allocating such Participating Stockholder's Shares in the manner set forth in Section 5.03(c). If such Third Party does not purchase such Shares from all Participating Stockholders on the same terms and conditions applicable to the Transferring Stockholder, then the entire proposed Transfer by the Transferring Stockholder to such Third Party shall be invalid.

(f) If at the termination of the Tag-Along Notice Period (and any extension thereof) any Other Stockholder shall not have accepted the offer contained in the Third Party Notice, such Other Stockholder shall be deemed to have waived any and all of his or its rights under this

Section 5.03 to Transfer his or its Shares to such Third Party on the terms specified in the Third Party Offer.

Section 5.04. Preemptive Right

Each Stockholder shall have the preemptive right to purchase its pro rata share (determined based on the respective Proportionate Percentages of the Stockholders as of the date of commencement of the Exercise Period (as hereinafter defined)) of any New Securities (as hereinafter defined) that the Company may, from time to time, sell and/or issue. Each Stockholder shall have a right of over-allotment such that if any Stockholder fails to exercise all or a portion of its preemptive right hereunder to purchase its pro rata portion of New Securities, the other Stockholders may purchase the remaining New Securities not purchased by such Stockholder on a pro rata basis (based on their respective Proportionate Percentages) within five business days from the date such non-purchasing Stockholder fails to exercise in full its preemptive right to purchase New Securities. This preemptive right shall be subject to the following provisions:

(a) "New Securities" shall mean any (i) equity securities of the Company whether now authorized or not and any securities convertible, exchangeable or exercisable for any equity security of the Company or (ii) indebtedness for borrowed money; provided that, except as otherwise required by applicable law, the term "New Securities" does not include: (A) shares of Series A Preferred Stock received pursuant to the Exchange Agreement; (B) the shares of Common Stock (1) issued to Jefferies or (2) issuable upon conversion of the Series A Preferred Stock; (C) securities issuable upon the exercise, conversion or exchange of Derivative Securities which are originally issued as New Securities in accordance with their terms; (D) securities offered to the public pursuant to a Qualified IPO or issued to the Stockholders in a recapitalization effected to facilitate reincorporation in Delaware where the equity interests in the changed entity immediately before the consummation of such reincorporation shall be the same as in the Company; (E) securities issued pursuant to the acquisition of another entity by the Company by merger, purchase of substantially all the assets or other reorganization whereby the stockholders of the Company immediately prior to such transaction own not less than a majority of the voting power of the surviving entity; (F) any equity securities issuable upon exercise of any options or warrants granted to third party lenders in connection with the making of loans to the Company; (G) shares of Common Stock issuable to employees pursuant to the Long-Term Compensation Plan (in an aggregate amount not to exceed shall not exceed 5% of the Common Stock on a Fully Diluted); or (H) indebtedness owed to banks or other financial institutions, which indebtedness is not high-yield indebtedness.

(b) If the Company proposes to undertake an issuance of New Securities, it shall give each Stockholder written notice of its intention, describing the type of New Securities, the price and the general terms and conditions upon which the Company proposes to issue the same. Each Stockholder shall have 20 Business Days from the date of receipt of any such notice (the "Exercise Period") to agree to purchase all or a portion of such Stockholder's share (based upon such Stockholder's share of the Total Voting Power) of such New Securities for the price and upon the general terms specified in the notice by giving written notice to the Company, which notice shall state the quantity of New Securities to be purchased by such Stockholder and the

date on which such purchase shall occur (which shall be not less than 15 nor more than 20 Business Days after the date of receipt of such notice).

(c) If any of the Stockholders' preemptive rights are not exercised within the Exercise Period and after the expiration of the five Business Day period for the exercise of the over-allotment provisions of this Section 5.04 as to any or all of the New Securities (the "Remaining New Securities"), then the Company shall have 120 days thereafter (the "Offering Period") to sell or enter into an agreement (pursuant to which the sale of the Remaining New Securities covered thereby shall be closed, if at all, within 90 days from the date of said agreement) to sell the Remaining New Securities at a price and upon general terms no more favorable to the purchasers thereof than specified in the Company's notice. If the Company has not sold within the Offering Period or entered into an agreement to sell the Remaining New Securities within the Offering Period (or sold and issued Remaining New Securities in accordance with the foregoing within 90 days from the date of said agreement), then the Company shall not thereafter issue or sell any New Securities, without first offering to each of the Stockholders the right to purchase their share thereof, in the manner provided above.

(d) The preemptive right granted under this Section shall expire upon consummation of a Qualified IPO.

(e) The preemptive right set forth in this Section is no assignable, except that such right is assignable by (i) a Stockholder to one or more of its Affiliates pursuant to Section 5.01(a)(i), and (ii) an Initial FS Stockholder to one or more Other Investors pursuant to Section 5.01(a)(ii).

Section 5.05. Redemption of Series A Preferred Stock

(a) Redemption at the Option of the FS Stockholders

(i) Subject to Sections 5.05(a)(iii) and 5.06(b), upon the written request (the "Stockholder Optional Redemption Notice") of FS Private Investments III LLC, on behalf of the FS Stockholders, given to the Company at any time after the occurrence of a Stockholder Optional Redemption Event, regardless of whether a Notice of Intent to Sell shall have been delivered to the Stockholders pursuant to Section 5.06(a), but before the consummation of the Sale of the Company, the Company shall redeem (the "Stockholder Optional Redemption") all of the Shares held by the FS Stockholders, at a redemption price payable in cash (the "Stockholder Optional Redemption Price") equal to the greater of (A) the Liquidation Preference or (B) the Put Price, in each case, times the number of Shares to be redeemed. The Stockholder Optional Redemption Price shall bear interest on the unpaid balance thereof from the date of the Stockholder Optional Redemption Notice until paid in full at a fluctuating per annum rate equal to 3.0% plus the prime rate, as quoted in the Eastern edition of *The Wall Street Journal*, but in no event to exceed 10.0%. Upon receipt of the Stockholder Optional Redemption Notice, the Company shall promptly give written notice of the mandatory redemption to each FS Stockholder, postage prepaid, at the address last shown on the records of the Company. Neither the failure by the Company to give notice of the Stockholder Optional Redemption, nor any defect therein, to any holder of Series A Preferred Stock called for redemption shall affect the sufficiency of such notice or the legality or sufficiency of the Stockholder Optional Redemption.

(ii) Within 10 calendar days of the Valuation Date, FS Private Investments III LLC, on behalf of the FS Stockholders, and the Company simultaneously shall deliver to each other a list of eight Financial Experts named on Exhibit A, ranked in order of priority from one through eight. The Financial Expert shall be the highest ranked Financial Expert named on the list submitted by FS Private Investments III LLC that is named on the list submitted by the Company, or if such Financial Expert is unwilling to accept the engagement on customary terms, the next highest ranked Financial Expert, and so on; provided, that, if there are no other Financial Experts named on both lists, the parties shall resubmit a list of eight Financial Experts excluding any such expert who declined the engagement. If either FS Private Investments III LLC or the Company fails to submit a list to the other within such 10-day period, then the other shall be entitled to select the Financial Expert from such Person's list. The Stockholder Optional Redemption Notice shall set forth a Petroleum Engineer selected by FS Private Investments III LLC from the list of Petroleum Engineers named on Exhibit A. The Put Price and the Fair Market Value of the Company on the Valuation Date shall be determined by the Financial Expert. The Financial Expert shall be instructed to deliver to the Company and to the FS Stockholders, within 45 days of its appointment, such Financial Expert's good faith determination of the Put Price and the Fair Market Value of the Company on the Valuation Date, together with an explanation, in reasonable detail, of the assumptions, factual bases and methodology used to make its determination. The Financial Expert must agree in its engagement to determine a single Put Price and Fair Market Value (and not a range of prices or values) based upon customary investment banking valuation methodology. Such determination shall be final and binding upon the Company and the FS Stockholders. The reasonable costs, fees and expenses of the Financial Expert and the Petroleum Engineer in determining the Put Price and the Fair Market Value of the Company shall be borne equally by the FS Stockholders and the Company (subject to adjustment such that the FS Stockholders bear an aggregate of 50% of such fees, regardless of whether paid directly by them or incurred indirectly by virtue of their ownership of Shares), and the FS Directors are hereby authorized to enter into, on behalf of the Company, such customary agreements (including indemnification agreements) as requested by the Financial Expert and the Petroleum Engineer in connection with their engagement hereunder. The Company shall cooperate with the Financial Expert and the Petroleum Engineer, including promptly providing each of them with such financial and other information as either of them may reasonably request, including in the case of the Financial Expert, historical and updated reserve reports prepared as of the Valuation Date by the Petroleum Engineer. FS Private Investments III LLC shall be entitled to review information provided to the Financial Expert and the Petroleum Engineer, to attend presentations to them by the Company or by them to the Company, and to otherwise communicate with them. In the absence of such cooperation by the Company pursuant to this Section 5.05(a)(ii), the Financial Expert and the Petroleum Engineer shall be entitled to rely on any information with respect to the Company and the Business furnished to them by the FS Stockholders.

(iii) Within 30 days of receipt by the FS Stockholders of the Financial Expert's determination of the Put Price and the Fair Market Value, FS Private Investments III LLC, on behalf of the FS Stockholders, may, by written notice (the "Stockholder Liquidity Notice") to the Company, elect either to (A) require the Company to proceed with the Stockholder Optional Redemption or (B) initiate a Sale of the Company pursuant to Section 5.06. The Stockholder Liquidity Notice shall be irrevocable. Failure by FS Private Investments III LLC to give the

Stockholder Liquidity Notice to the Company within such 30-day period shall be deemed to be an irrevocable election of the Stockholder Optional Redemption.

(b) Stockholder Optional Redemption Date and Payment. Subject to Section 5.06(e),

(i) If the FS Stockholders shall elect the Stockholder Optional Redemption following the occurrence of the Non-Liquidity Event, the Company shall redeem all of the Shares of each FS Stockholder in two equal installments on the first and second anniversaries of the Valuation Date (each such anniversary, a "Stockholder Non-Liquidity Event Optional Redemption Date"). On a Stockholder Non-Liquidity Event Optional Redemption Date, the Company shall pay in cash to each holder of Shares to be redeemed at that date, at its address as the same shall appear on the books of the Company, 50% of the aggregate Stockholder Optional Redemption Price (together with interest thereon as provided in Section 5.05(a)(i)) due to such holder. The Company shall have the right to pre-pay the Stockholder Optional Redemption Price at any time during the two-year period following the Valuation Date.

(ii) If the FS Stockholders shall elect the Stockholder Optional Redemption following the occurrence of an Accelerating Event or a Breach Event, the Company shall redeem all of the Shares of each FS Stockholder to be redeemed pursuant to Section 5.05(a) on a date selected by it that is not later than thirty days after the receipt by the Company of the Stockholder Liquidity Notice to such effect (herein called a "Stockholder Accelerating/Breach Event Optional Redemption Date"). On each Stockholder Accelerating/Breach Event Optional Redemption Date, the Company shall pay in cash to each holder of Shares to be redeemed at that date, at its address as the same shall appear on the books of the Company, the aggregate Stockholder Optional Redemption Price (together with interest thereon as provided in Section 5.05(a)(i)) due to such holder.

(c) Payment Default. After a Stockholder Optional Redemption Date, unless the Company shall default in the payment of the Stockholder Optional Redemption Price due on such date, all rights of the holders of the Shares to have been redeemed on such date, except the right to receive the Stockholder Optional Redemption Price with respect thereto (together with interest, as provided in the next sentence) shall terminate. Any late payment of the Stockholder Optional Redemption Price shall bear interest until paid in full (together with such interest) at a fluctuating per annum rate equal to 9.0% plus the prime rate from time to time in effect, as quoted in the Eastern edition of *The Wall Street Journal*, but in no event to exceed 15.0% per annum.

(d) Consent Rights. Notwithstanding any other provision of this Agreement, from the Valuation Date until the payment in full of the aggregate Stockholder Optional Redemption Price on the final Stockholder Optional Redemption Date, unless a Notice of Intent to Sell has been delivered pursuant to Section 5.06(d), at which time Section 5.06(b) shall be applicable, without the prior approval of FS Private Investments III LLC, on behalf of the FS Stockholders, the Company will not: (i) make any decision or take any action with respect to any of the activities set forth in Sections 3.02(a), (c), (d), (e), (f), (j) or (k); (ii) make or approve any dividend or other distribution to the Stockholders; (iii) (A) merge with, or consolidate into, another Person, (B) sell all, or any material part, of its assets or business or (C) reorganize or otherwise change the

organizational form of the Company into any other form of entity, unless the aggregate Stockholder Optional Redemption Price shall be paid simultaneously with the closing of such transaction; (iv) make, commit to make or approve any Acquisition, except as may be required by, and in strict accordance with, an obligation to consummate an Acquisition in effect on the Valuation Date; (v) create, incur or assume or otherwise become or remain liable with respect to indebtedness for borrowed money other than for working capital in the ordinary course of business consistent with past practices, or except as may be required to consummate an Acquisition permitted by this Section 5.05(d) from one or more banks or other financial institution on market terms and conditions, including interest rates; or (vi) incur or commit to any capital expenditures on non-proved reserves, except that the Company can incur capital expenditures or obligations relating to an authorization for expenditure from other working interest owners.

(e) For purposes of this Section 5.05, all references to the "FS Stockholders" shall be deemed to include Jefferies, such that Jefferies shall have the redemption rights set forth in this Section 5.05 as if it were an FS Stockholder.

Section 5.06. Sale of the Company

(a) Within 90 days of the occurrence of the earlier of (i) an Accelerating Event or (ii) the termination by the CEO of his employment with the Company for Good Reason (as defined in the CEO Employment Agreement), (A) the CEO (or his heirs, executors or legal representatives), (B) upon the death or Disability of the CEO, the Liquidating Trustee or (C) FS Private Investments III LLC, on behalf of the FS Stockholders, shall have the option to initiate a Sale of the Company by providing a Notice of Intent to Sell to the Company and each of the Stockholders. Upon such delivery of a Notice of Intent to Sell pursuant to this Section 5.06(a), the Company shall engage, as promptly as practicable, an Auction Broker selected in accordance with the procedure to select a Financial Expert, as set forth in Section 5.05(a)(ii) to commence a bona-fide auction process to effect a Sale of the Company, shall use commercially reasonable efforts to effect such Sale of the Company, and shall periodically consult with and update FS Private Investments III LLC regarding the status of a potential Sale of the Company.

(b) If the Stockholder Liquidity Notice shall set forth that the FS Stockholders elect to initiate a Sale of the Company, FS Private Investments III LLC, on behalf of the FS Stockholders, shall have the right to initiate a Sale of the Company by providing a Notice of Intent to Sell to the Company and each of the other Stockholders. If the Stockholder Liquidity Notice shall set forth that the FS Stockholders elect to require the Company to proceed with a Stockholder Optional Redemption, the Company, within 30 days of such receipt by the Company, shall have the right to initiate a Sale of the Company by providing a Notice of Intent to Sell to the Stockholders. Upon delivery of a Notice of Intent to Sell by either FS Private Investments III LLC or the Company pursuant to this Section 5.06(b), (i) FS Private Investments III LLC shall engage, on behalf of the Company, an Auction Broker selected by it and approved by the CEO (or the Liquidating Trustee, as the case may be), which approval will not be unreasonably withheld (it being understood that such Auction Broker will be deemed approved, unless the CEO (or the Liquidating Trustee, as the case may be) reasonably objects in writing to such selection within 10 days after receipt by it of notice thereof), to commence a bona-fide

auction process to effect a Sale of the Company as promptly as reasonably practicable thereafter and (ii) the Company and each Stockholder shall use commercially reasonable efforts to effect such Sale of the Company. In connection with a Sale of the Company (whether initiated by the Company or by FS Private Investments III LLC) pursuant to this Section 5.06(b), the CEO may submit a firm offer to purchase the Shares held by the FS Stockholders for a specific cash price, which offer shall be subject to the same terms and conditions as those which other prospective bidders in the auction shall be subject, including, without limitation, with respect to whether any financing condition will be permitted and whether evidence reasonably acceptable to FS Private Investments III LLC of the ability to obtain any necessary financing will be required. Such offer shall be irrevocable during the auction process and shall be strictly confidential, unless FS Private Investments III LLC shall determine otherwise. Any auction process pursuant to this Section 5.06(b) shall be under the direction and control of FS Private Investments III LLC. Without limiting the generality of the foregoing, FS Private Investments III LLC may require the Auction Broker, representatives of the Company engaged in the auction process and the Company's independent accountants and legal counsel to report to and take direction from it on all matters related to the Sale of the Company, provided that FS Private Investments III LLC may not direct the Company to take or omit actions that are not commercially reasonable in the good faith judgment of FS Private Investments III LLC (provided that FS Private Investments III LLC shall not be indemnified for its directions to the Company in relation to the sale of the Company to a party which is not an Affiliate of the Company or of any of the stockholders of the Company which directions were made in opposition to the reasonable judgment of the Board of Directors as expressed in a resolution or resolutions thereof, notwithstanding any provision of the Articles of Incorporation, the By-Laws, any provision of this Agreement providing for indemnification or any other document or statute providing for indemnification of FS Private Investments III LLC or its representatives) or, in such judgment customary in connection with an auction process for a sale of a company similar to the Company. FS Private Investments III LLC shall cause the Company to, and the Company shall, accept the highest and best offer received in the auction process, it being understood that FS Private Investments III LLC shall have no liability with respect to the Sale of the Company contemplated thereby or with respect to whether such sale is consummated, except that FS Private Investments III LLC may accept the CEO's offer to purchase the Shares held by the FS Stockholders in lieu of a Sale of the Company for any reason and at any time.

(c) The closing of any Sale of the Company, if such closing shall occur, shall take place on such date as the Company and FS Private Investments III LLC shall select, except that the closing of any Sale of the Company pursuant to Section 5.06(a) shall not take place later than 180 days after the delivery of the Notice of Intent to Sell. The Company and each Stockholder shall take all necessary and desirable actions in connection with the consummation of such Sale of the Company, and if such transaction is structured as a sale of Shares, each Stockholder shall cause all of its respective Shares to be sold to the purchaser, and deliver certificates evidencing such Shares duly endorsed or accompanied by written instruments of transfer in form satisfactory to the purchaser, duly executed by such Stockholder, free and clear of any liens, mortgages, pledges, security interests or other restrictions or encumbrances, against delivery of the allocable portion of the consideration received pursuant to such Sale of the Company, allocable to it in accordance with Article IV, Section B2 of the Articles of Incorporation. In the case of another form of Sale of the Company, the proceeds received upon such transaction shall be allocated to

the Stockholders in accordance with Article IV, Section B2 of the Articles of Incorporation. In furtherance of, and not in limitation of the foregoing, in connection with such Sale of the Company, each Stockholder will (A) consent to and raise no unreasonable objections against such Sale of the Company, or the process pursuant to which it was arranged, (B) waive any dissenters' rights and other similar rights, (C) exercise or agree to the termination of all unexercised Derivative Securities other than the Series A Preferred Stock and (D) execute all documents containing such terms and conditions as those executed by the other Stockholders, as the case may be; provided, however, that for purposes of this Section 5.06, no FS Stockholder shall be required to make any representation or warranty, perform any covenant or provide any indemnity in connection with any such Sale of the Company, other than a warranty with respect to its own ownership of the Shares to be sold by it and its ability to convey title thereto free and clear of any and all liens, mortgages, pledges, security interests or other restrictions or encumbrances. Notwithstanding the foregoing, at the written request of FS Private Investments III LLC given at any time before the execution of a definitive agreement for a Sale of the Company pursuant to Section 5.06(b), the Company will abandon the Sale of the Company, subject to recommencing the process in Section 5.06(e).

(d) Notwithstanding any other provision of this Agreement, upon the delivery of the Notice of Intent to Sell pursuant to Section 5.06(a) or (b), in addition to the decisions set forth in Section 3.02, neither the Board of Directors nor any committee thereof may make a decision with respect to any of the following without the affirmative vote of at least one of the FS Directors: (i) make, commit to make or approve any Acquisition, except as may be required by, and in strict accordance with, an obligation to consummate an Acquisition then in effect on the date of receipt of the Notice of Intent to Sell; or (ii) incur or commit to any capital expenditures except for capital expenditures or obligations relating to proven reserves.

(e) If a Stockholder Optional Redemption has been or could be initiated, the Stockholder Optional Redemption Date shall be delayed upon the delivery of a Notice of Intent to Sell pursuant to this Section 5.06 until the earliest to occur of (i) the consummation of the Sale of the Company, (ii) the termination of the bona-fide auction process or (iii) 270 days from the date of delivery of such Notice of Intent to Sell. If a Notice of Intent to Sell is delivered by either FS Private Investments III LLC or the Company subsequent to the occurrence of a Non-Liquidity Event or otherwise by FS Private Investments III LLC pursuant to a Stockholder Liquidity Notice, FS Private Investments III LLC shall have the right to continue the auction process or to reinstate it, at such time or times as it may deem to be commercially reasonable, one or more times until a Sale of the Company is consummated. If a Sale of the Company pursuant to this Section 5.06 is consummated, (i) the Fair Market Value of the Company shall be deemed to be the equity value of the Company implied by the aggregate consideration payable in the Sale of the Company, (ii) the Valuation Date shall be deemed to be the date of consummation of the Sale of the Company and (iii) the Stockholder Optional Redemption shall be extinguished effective upon the consummation of such Sale of the Company.

ARTICLE VI

DISSOLUTION AND LIQUIDATION

Section 6.01. Liquidating Trustee

The Stockholders and the Company agree that any dissolution, liquidation or winding up of the Company shall be managed by the Person appointed by the Board of Directors for this express purpose, to the exclusion of the Stockholders (such Person or entity so appointed, being hereinafter referred to as the "Liquidating Trustee"); provided, however, that upon the death of Tracy W. Krohn, the executor of Tracy W. Krohn's estate shall have the right to replace the Liquidating Trustee for any reason. The Liquidating Trustee shall be W. Reid Lea, unless the designation of such Person is changed by the Board of Directors or the executor of Tracy W. Krohn's estate, as the case may be. The Board of Directors or the executor of Tracy W. Krohn's estate, as the case may be, shall have the power to designate a substitute Liquidating Trustee to serve as such if the Liquidating Trustee is unwilling or unable to serve in such position and shall do so within 30 days of such position becoming vacant.

Section 6.02. Right of Stockholders to Bid on Company Assets

The Liquidating Trustee shall have all powers granted to a liquidator under the law of the Company's place of incorporation. Subject to Section 5.06(b), in connection with the sale by the Company and reduction to cash of its assets, although the Company has no obligation to offer to sell any property to the Stockholders, any Stockholder or any Affiliate of any Stockholder may bid on and purchase any Company assets.

Section 6.03. Continuation of this Agreement

During the period of winding-up and liquidation of the Company, all of the provisions of this Agreement shall continue in effect.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Representations of the Stockholders

Each Stockholder hereby represents and warrants to the Company and to each other Stockholder, and acknowledges as follows:

(a) such Stockholder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Company and making an informed investment decision with respect thereto;

(b) such Stockholder is able to bear the economic and financial risk of an investment in the Company for an indefinite period of time;

(c) such Stockholder has acquired the Shares for investment only and not with a view to, or for resale in connection with, any distribution to the public or public offering thereof;

(d) such Stockholder understands that the Shares Stock have not been registered under the Securities Act or the securities laws of any jurisdiction and cannot be disposed of unless they are subsequently registered and/or qualified under applicable securities laws and the provisions of this Agreement have been complied with; and

(e) the execution, delivery and performance of this Agreement by such Stockholder do not require it to obtain any consent or approval that has not been obtained and do not contravene or result in a default under any provision of any existing law or regulation applicable to it, any provision of its charter, by-laws or other governing documents (if an entity) or any agreement or instrument to which it is a party or by which it is bound.

Section 7.02. Further Assurances

(a) Each of the Stockholders hereby agrees to take or cause to be taken such further actions, to execute, acknowledge, deliver and file or cause to be executed, acknowledged, delivered and filed such further documents and instruments, and to use commercially reasonable efforts to obtain such consents, as may be necessary or as may be reasonably requested to fully effectuate the purposes, terms and conditions of this Agreement, whether before, at or after the Effective Date.

(b) In addition to the foregoing, each of the Stockholders hereby agrees to cooperate with the other and to take or cause to be taken such actions, to execute, acknowledge, deliver and file or cause to be executed, acknowledged, delivered and filed such documents and instruments, and to use commercially reasonable efforts to obtain such consents, as may be necessary or as may be reasonably requested by the Board of Directors in connection with any reincorporation of the Company from Nevada to Delaware so long as the Certificate of Incorporation of the Company following such reincorporation are substantially the same as the Articles of Incorporation immediately preceding such reincorporation, the rights granted to the Stockholders pursuant to this Agreement survive such transaction and the equity interests in the changed entity immediately after the consummation of such reincorporation shall be the same as in the Company.

Section 7.03. Notices

All notices, requests and other communications under this Agreement shall be in writing (which includes facsimile), either by physically delivering them by means of any private courier service or by transmitting them by facsimile, and shall be deemed to have been given on the date received, addressed as follows: (a) the Company, to W&T Offshore, Inc., 8 Greenway Plaza, Suite 1300, Houston, Texas 77046, Attention: Tracy W. Krohn, Telephone: (713) 626-8525, Facsimile: (713) 686-8527; or (b) the Stockholders, to their respective addresses set forth on the stockholder register of the Company or on Schedule A hereto; provided, however, that (i) each Stockholder's notice information may be changed by notice to the Company, the Board of Directors and the other Stockholders which shall only be effective upon receipt and (ii) any notice received outside of business hours or on a day which is not a Business Day in the city

where the recipient is located shall be deemed given at the next opening of business at such location.

Section 7.04. Severability

The invalidity of any one or more provisions hereof or of any other agreement or instrument given pursuant to or in connection with this Agreement shall not affect the remaining portions of this Agreement or any such other agreement or instrument or an part thereof, all of which are included subject to the condition that they are held valid in law; and in the event that one or more of the provisions contained herein or therein should be invalid, or should operate to render this Agreement or any such other agreement or instrument invalid, this Agreement and such other agreements and instruments shall be construed as if such invalid provisions had not been inserted.

Section 7.05. Survival

It is the express intention and agreement of the Stockholders that all covenants, agreements, statements, representations, warranties and indemnities made in this Agreement shall survive the execution and delivery of this Agreement.

Section 7.06. Waivers

Neither the waiver by the Company or a Stockholder of a breach of or a default under any of the provisions of this Agreement, nor the failure of the Company or a Stockholder, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right, remedy or privilege hereunder, shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights, remedies or privileges hereunder.

Section 7.07. Exercise of Rights

No failure or delay on the part of a Stockholder or the Company in exercising any right, power or privilege hereunder and no course of dealing between the Stockholders or between a Stockholder and the Company shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any other rights or remedies which a Stockholder or the Company would otherwise have at law or in equity or otherwise.

Section 7.08. Binding Effect; Assignment

Subject to any provisions hereof restricting assignment, this Agreement shall be binding upon and shall inure to the benefit of the Company and the Stockholders and their respective heirs, devises, executors, administrators, legal representatives, successors and permitted assigns; provided, however, nothing contained herein shall be construed as granting any Stockholder the right to Transfer any Shares except in accordance with this Agreement.

Section 7.09. Limitation on Benefits of this Agreement

Subject to Section 3.01(f), it is the explicit intention of the Stockholders that no Person other than the Stockholders and the Company is or shall be entitled to bring any action to enforce any provision of this Agreement against any Stockholder or the Company, and that the covenants, undertakings and agreements set forth in this Agreement shall be solely for the benefit of, and shall be enforceable only by, the Stockholders (or their respective successors and assigns as permitted hereunder) and the Company.

Section 7.10. Amendments or Modifications

This Agreement may be amended or modified from time to time only by a written instrument executed by the Stockholders holding at the time at least 90% of the Total Voting Power. In addition to the procedure set forth above, this Agreement may be amended by the Board of Directors (with the consent of an FS Director) without the consent of any of the Stockholders to correct any errors or omissions, to cure any ambiguity, or to cure any provision that may be inconsistent with any other provision hereof. No supplement or amendment of Exhibit A shall be deemed to be an amendment or modification of this Agreement for the purposes of this Section 7.10.

Section 7.11. Entire Agreement

This Agreement (including the Schedules and Exhibits hereto), together with those portions of the Exchange Agreement incorporated by specific reference herein, contains the entire agreement between the Company and the Stockholder with respect to the transactions contemplated herein, and supersedes all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein and therein.

Section 7.12. Pronouns

All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the Person or entity may require.

Section 7.13. Headings

Article, Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

Section 7.14. Governing Law; Consent to Jurisdiction

(a) This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Delaware, without giving effect to principles of conflict of laws.

(b) 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, 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 any 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, State of Delaware.

Section 7.15. Counterparts

This Agreement may be executed in one or more counterparts (including executed counterparts delivered and exchanged by facsimile transmission, provided that the originally signed counterpart is subsequently delivered), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 7.16. Dividends

If, during the term of this Agreement, there is a dividend of any security, stock split or other change in the character or amount of any of the Company's outstanding securities, then in such event any and all new, substituted or additional securities to which a Stockholder is entitled by reason of its ownership of Shares shall, upon issuance, be immediately subject to the provisions of this Agreement and shall be deemed included in the term "Shares" for all purposes of this Agreement with the same force and effect as the Shares presently subject to this Agreement and with respect to which such new, substituted or additional securities were distributed.

Section 7.17. Joinder of Additional Stockholders

The parties agree that as a condition precedent to the issuance by the Company of any of its equity securities (or securities convertible into or exercisable or exchangeable for equity securities), the Company will require the acquiror to execute a joinder agreement to this Agreement and thereby become a party to this Agreement as a "Stockholder" and Schedule A shall be revised to reflect the foregoing.

Section 7.18. Tax Certificate

Tracy W. Krohn agrees to provide FS Private Investments III LLC with a certificate setting forth his actual federal, state and local tax liability in respect of the Company for 2002 concurrently with the filing of his federal income tax return for 2002.

Section 7.19. Certificate of Incorporation

In the event of any inconsistency between the provisions of the Articles of Incorporation or By-Laws of the Company and the provisions of this Agreement, the parties agree that, as among themselves, the provisions of this Agreement shall take precedence.

Section 7.20. Term

This Agreement shall terminate upon the consummation of a Qualified IPO.

[Next Page is a Signature Page]

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the day and year first above written.

W&T OFFSHORE, INC.

By: _____
Name:
Title:

STOCKHOLDERS:

_____
Ann Krohn Freel

_____
Tracy W. Krohn

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: _____
Name:
Title:

JEFFERIES & COMPANY, INC.

By: _____
Name:
Title:

W&T OFFSHORE, INC.
SCHEDULE A

LIST OF STOCKHOLDERS
DATED AS OF _____ ____, 2002

Name and Address of Stockholder	Number of Shares of Series A Preferred Stock	Number of Shares of Common Stock
Existing Stockholders:		
Ann Krohn Freel c/o Tracy W. Krohn 8 Greenway Plaza, Suite 950 Houston, Texas 70046	0	1,062,690
Tracy W. Krohn 8 Greenway Plaza, Suite 950 Houston, Texas 70046	0	6,507,161
FS Stockholders:		
ING Furman Selz Investors III L.P. c/o FS Private Investments III LLC 520 Madison Avenue 8th Floor New York, New York 10022 Attention: Mr. Brian Friedman Telephone: (212) 284-1701 Facsimile: (212) 284-1717 with a copy to: Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, New York 10038 Attention: Melvin Epstein, Esq. Telephone: (212) 806-5864 Facsimile: (212) 806-6006	1,393,590	0
ING Barings U.S. Leveraged Equity Plan LLC c/o FS Private Investments III LLC 520 Madison Avenue 8th Floor New York, New York 10022 Attention: Mr. Brian Friedman Telephone: (212) 284-1701 Facsimile: (212) 284-1717 with a copy to: Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, New York 10038 Attention: Melvin Epstein, Esq. Telephone: (212) 806-5864 Facsimile: (212) 806-6006	423,805	0

Name and Address of Stockholder	Number of Shares of Series A Preferred Stock	Number of Shares of Common Stock
ING Barings Global Leveraged Equity Plan Ltd. c/o FS Private Investments III LLC 520 Madison Avenue 8th Floor New York, New York 10022 Attention: Mr. Brian Friedman Telephone: (212) 284-1701 Facsimile: (212) 284-1717	182,605	0
with a copy to:		
Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, New York 10038 Attention: Melvin Epstein, Esq. Telephone: (212) 806-5864 Facsimile: (212) 806-6006		
Jefferies & Company, Inc. 520 Madison Avenue 12th Floor New York, New York 10022 Attention: Joe Schenk Telephone: (212) 284-2338 Facsimile: (212) 284-2233	0	31,685
TOTAL:	**2,000,000**	**7,601,536**

EXHIBIT A

LIST OF FINANCIAL EXPERTS, AUCTION BROKERS AND
NATIONALLY RECOGNIZED PETROLEUM ENGINEERS

Financial Experts:

Goldman, Sachs & Co.
Merrill Lynch & Co.
Morgan Stanley
Credit Suisse First Boston
J.P. Morgan Chase & Co.
Salomon Smith Barney Inc.
Lehman Brothers Inc.
UBS Warburg
Bear, Stearns & Co.
Raymond James Financial
McDonald Investments
Wachovia Capital Markets
Stephens, Inc.
A.G. Edwards
RBC Dominion Securities
CIBC Capital Markets

Auction Brokers:

Goldman, Sachs & Co.
Merrill Lynch & Co.
Morgan Stanley
Credit Suisse First Boston
J.P. Morgan Chase & Co.
Salomon Smith Barney Inc.
Lehman Brothers Inc.
UBS Warburg
Bear, Stearns & Co.
Randall & Dewey
Simmons & Company
Petrie Parkman

Petroleum Engineers:

Netherland, Sewell & Associates, Inc.
Ryder Scott Company
DeGolyer and MacNaughton

EXHIBIT B

LONG-TERM INCENTIVE COMPENSATION PLAN

EXHIBIT C

[Form of Irrevocable Proxy]

IRREVOCABLE PROXY

For good and valuable consideration, the receipt and sufficiency of which the undersigned hereby acknowledges, the undersigned does hereby irrevocably grant to [Tracy W. Krohn and, upon his death or Disability, to the Liquidating Trustee] [FS Private Investments III LLC and to its successors and assigns], with full power of substitution, the irrevocable right and proxy to [act in any way that the undersigned could act as a Stockholder]* [vote all of the shares of Common Stock]** of W&T Offshore, Inc., a Nevada corporation(the "Company") [including voting all of the shares of Common Stock of the Company]*, currently registered in its name for and in the name, place and stead of the undersigned, at any annual, special or other meeting of the Stockholders of the Company or pursuant to any written consent in lieu of a meeting, with respect to any matter submitted to holders of the Company's Common Stock. This proxy shall be coupled with an interest, shall not be transferred under any circumstances, shall survive the liquidation or dissolution (or death) of the undersigned, and shall be binding on the heirs, legal representatives, successors and assigns of the undersigned. Capitalized terms used herein and not otherwise defined herein have the meanings set forth in the Amended and Restated Articles of Incorporation of W&T Offshore, Inc.

The undersigned may not Transfer any of the Shares unless the transferee thereof agrees to grant an irrevocable proxy similar to this proxy.

This proxy shall expire and terminate on the earlier to occur of (a) a Qualified IPO or (b) ten years from the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this proxy this 2nd day of December, 2002.

By: _____
Name:
Title:

* For all Stockholders other than the FS Stockholders.
** For the FS Stockholders.

Form of Notice and Acceptance of Grant

RE: Grant of Incentive Award

Dear [Participant]:

In view of your service as a key employee of W&T Offshore, Inc. ("W&T"), W&T considers it desirable to grant to you an incentive award designed to motivate your future performance. This letter is intended to constitute notice of the terms and conditions applicable to the grant, and your acknowledgment of and agreement to be bound by the terms and conditions set forth below. Unless we receive an original copy of this letter signed by you on or before [date], W&T will deem you to have rejected this grant, and you will have no rights the incentive awarded hereunder.

1. **Grant.** W&T hereby grants to you _____ shares of W&T's common stock, $.00001 par value per share (the "Shares"). By accepting this grant, you agree to be responsible for paying any withholding that would be required under applicable tax laws. On your W-2 tax form, W&T will ascribe a value of $20.31 per share to the Shares, and you will be required to pay ordinary income tax on the value of the Shares.

2. **Restrictions on Transfer.** By accepting this grant, you agree that, until the earlier of (i) such time as W&T issues W&T Common Shares to the public pursuant to a registration statement under the Securities Act of 1933, as amended; or (ii) a person or entity unaffiliated with Tracy W. Krohn or his family or estate becomes the owner of a majority of the outstanding W&T Common Shares (the "Restricted Period"), you will not transfer any Shares, except that the Shares may be transferred to W&T pursuant to its right of repurchase provided for hereinbelow, and except that ownership of Shares may be transferred upon your death in accordance with the terms of your will or pursuant to the laws of descent and distribution if the transferee agrees in writing to accept the shares subject to the same restrictions on transfer, voting restrictions and other provisions of this Notice and Acceptance of Grant that the W&T Common Shares held by you will be subject to. You hereby agree not to pledge or otherwise hypothecate the Shares during the Restricted Period. You hereby agree that if, during the Restricted Period, W&T declares a stock distribution or stock dividend payable with respect to the Shares, then any distributed securities shall be subject to the restrictions created hereunder for the remainder of the Restricted Period. You shall, however, be entitled to receive any distributions or dividends paid with respect to the Shares during the Restricted Period. Furthermore, you agree that if W&T issues shares of its common stock in an underwritten public offering, then you will execute a lock-up agreement similar to the lock-up agreements executed by directors and executive officers of W&T in connection with such public offering.

3. **No Voting Rights.** You hereby agree that, during the Restricted Period, a Voting Agent designated by the Board of Directors of W&T shall have the exclusive right to vote the Shares.

4. **W&T's Right of Repurchase.** You hereby agree that if you leave the employ of W&T for any reason prior to December 31, 2006 (a "Termination of Employment"), then W&T shall have the right to repurchase the following number of Shares:

(i) If the date of Termination of Employment is on or before December 31, 2003, then W&T shall have a repurchase right with respect to 100% of the Shares;

(ii) If the date of Termination of Employment is between December 31, 2003 and December 31, 2004, then W&T shall have a repurchase right with respect to 75% of the Shares;

(iii) If the date of Termination of Employment is between December 31, 2004 and December 31, 2005, then W&T shall have a repurchase right with respect to 50% of the Shares; and

(iv) If the date of Termination of Employment is between December 31, 2005 and December 31, 2006, then W&T shall have a repurchase right with respect to 25% of the Shares.

W&T shall have the right to exercise a repurchase right hereunder within 365 days from the date of the Termination of Employment. The repurchase price shall be equal to the fair market value (as defined in the W&T Long-Term Incentive Compensation Plan) of the Shares to be repurchased on the date of the repurchase. By execution of this grant letter, you are acknowledging and agreeing that the foregoing right of repurchase is reasonable and fair under the circumstances, and is part of the consideration that W&T is receiving in exchange for its grant of this incentive to you.

5. **No Right to Employment.** Neither this letter nor the grant of an incentive hereunder shall be deemed to confer upon you any right to continue in the employ or service of W&T on a full-time, part-time or any other basis or any right or claim to any benefit, unless such right or claim has specifically accrued under the terms of this grant letter, or to continue your present or any other rate of compensation or interfere, in any manner, with the right of W&T to terminate your employment, whether with or without cause.

6. **The W&T Long-Term Incentive Compensation Plan.** This incentive is subject to such additional terms and conditions as may be imposed under the terms of the W&T Long-Term Incentive Compensation Plan. By execution of this grant letter, you acknowledge that you have received and read a copy of such plan.

Very truly yours,
W&T OFFSHORE, INC.

BY: _____
Tracy W. Krohn,
Chief Executive Officer

ACKNOWLEDGMENT AND AGREEMENT

By execution of this letter, I agree to the terms of this Notice and Acceptance of Grant, I agree that the restrictions on transfer of the Shares set forth above are fair and reasonable, I agree to the restrictions on voting the Shares set forth above, and I agree that W&T's right to repurchase the Shares set forth above is fair and reasonable. Furthermore, I agree that the value of the Shares is $20.31 per share, and I understand that I will be required to pay ordinary income tax on the value of the Shares.

_____
[name]

Date: _____

12,655,263 Shares

W & T OFFSHORE, INC.

Common Stock

UNDERWRITING AGREEMENT

January 27, 2005

LEHMAN BROTHERS INC.
JEFFERIES & COMPANY, INC.
J.P. MORGAN SECURITIES, INC.
RBC CAPITAL MARKETS
RAYMOND JAMES & ASSOCIATES, INC.
HARRIS NESBITT CORP.

c/o Lehman Brothers Inc.
745 Seventh Avenue
New York, New York 10019

Dear Sirs:

Certain shareholders of W & T Offshore, Inc., a Texas corporation (the "Company"), named in Schedule 2A (each, a "Management Selling Shareholder" and, together the "Management Selling Shareholders") hereto and Schedule 2B (each, a "Jefferies Selling Shareholder" and, together the "Jefferies Selling Shareholders" and, each Management Selling Shareholder and Jefferies Selling Shareholder, a "Selling Shareholder" and, the Management Selling Shareholders and Jefferies Selling Shareholders together the "Selling Shareholders") hereto propose to sell an aggregate of 12,655,263 shares (the "Firm Stock") of the Company's Common Stock, par value $.00001 per share (the "Common Stock"). In addition, the Selling Shareholders propose to grant to the Underwriters named in Schedule 1 hereto (the "Underwriters") an option to purchase up to an additional 1,898,289 shares of the Common Stock on the terms and for the purposes set forth in Section 3 (the "Option Stock"). The Firm Stock and the Option Stock, if purchased, are hereinafter collectively called the "Stock." This is to confirm the agreement among the Company, the Selling Shareholders and the Underwriters concerning the purchase of the Stock from the Selling Shareholders by the Underwriters.

In connection with the consummation of the transactions contemplated hereby, prior to the date of this Agreement, the Company entered into a plan of conversion and filed Articles of Conversion with the Secretaries of State of the states of Nevada and Texas pursuant to which the Company changed its jurisdiction of incorporation from the State of Nevada to the State of Texas (the "Conversion"). It is understood and agreed to by all parties to this Agreement that the Articles of Incorporation of the Company filed with the Secretary of State of the State of Texas on April 27, 2004 in connection with the Conversion will be amended and restated in their entirety to conform to the description of capital stock set forth in the Prospectus

(the "Amended and Restated Articles of Incorporation") and the Amended and Restated Articles of Incorporation will be filed with the Secretary of State of the State of Texas prior to the First Delivery Date (as defined in Section 5 hereof). It is further understood and agreed to by all parties to this Agreement that all of the issued and outstanding Class A Preferred Stock, par value $.00001 per share, of the Company will be converted to Common Stock not later than the First Delivery Date.

Section 1. *Representations, Warranties and Agreements of the Company.* The Company represents, warrants and agrees that:

(a) A registration statement on Form S-1 (File No. 333-115103) with respect to the Stock (i) has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder, (ii) has been filed with the Commission under the Securities Act and (iii) has become effective under the Securities Act. Copies of such registration statement and each of the amendments thereto have been delivered by the Company to the Underwriters. As used in this Agreement, "Effective Time" means the date and the time as of which such registration statement, or the most recent post-effective amendment thereto, if any, was declared effective by the Commission; "Effective Date" means the date of the Effective Time; "Preliminary Prospectus" means each prospectus included in such registration statement, or amendments thereof, before it became effective under the Securities Act and any prospectus filed with the Commission by the Company with the consent of the Underwriters pursuant to Rule 424(a) of the Rules and Regulations; "Registration Statement" means such registration statement, as amended at the Effective Time, including all information contained in the final prospectus filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations ("Rule 424(b)") and deemed to be a part of the registration statement as of the Effective Time pursuant to Rule 430A of the Rules and Regulations; and "Prospectus" means the prospectus in the form first used to confirm sales of Stock. If the Company has filed or files an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement. The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus.

(b) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will, when they become effective or are filed with the Commission, as the case may be, conform in all respects to the requirements of the Securities Act and the Rules and Regulations and do not and will not (i) as of the applicable Effective Date contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (as to the Registration Statement and any amendment thereto), and (ii) as of the applicable filing date contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (as to the Prospectus and any amendment or supplement thereto); provided that no representation or warranty is made as to information contained in or omitted from the Registration Statement or the Prospectus in reliance upon and in conformity with written information furnished to the Company by or on behalf of

any Underwriter specifically for inclusion therein. In addition, each of the statements made in such documents within the coverage of Rule 175(b) of the Rules and Regulations was made or will be made by the Company with a reasonable basis and in good faith.

(c) The Company and each of its Subsidiaries listed in Exhibit 21 to the Registration Statement have been duly incorporated and are validly existing in good standing under the laws of their respective jurisdictions of incorporation or formation, are duly qualified to do business and are in good standing as foreign corporations or limited liability companies in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, except where the failure to so qualify would not, individually or in the aggregate have a material adverse effect on the general affairs, management, consolidated financial position, stockholders' equity, results of operations, business or prospects of the Company and its Subsidiaries (a "Material Adverse Effect"), and the Company and each of its Subsidiaries have all corporate or limited liability company power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged; and, other than the subsidiaries listed on Exhibit 21 to the Registration Statement, none of the Company's subsidiaries is a "significant subsidiary," as such term is defined in Rule 405 of the Rules and Regulations.

(d) As of the First Delivery Date, the Company will have an authorized and outstanding capitalization as set forth in the Prospectus; and all of the issued shares of capital stock of the Company have been duly authorized and validly issued, are fully paid and non-assessable and conform to the description thereof contained in the Prospectus; and all of the issued membership interests of each Subsidiary of the Company have been duly authorized and validly issued and are fully paid and non-assessable and, except as set forth in the Prospectus, are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims. The Company does not own, directly or indirectly, any capital stock, membership interest, partnership interest, joint venture interest or other equity or ownership interest in any person or entity, other than the subsidiaries listed on Exhibit 21 to the Registration Statement.

(e) Except as described in the Prospectus, as of the First Delivery Date there will be no preemptive rights or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any shares of Common Stock pursuant to the Company's articles of incorporation, bylaws or other governing documents or any agreement or other instrument to which the Company is a party or by which it may be bound other than any such rights that have been waived or satisfied, and, except as described in the Prospectus, there are no outstanding options, warrants or rights to purchase any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for any shares of capital stock of the Company, other than the Company's issued and outstanding preferred stock, par value $.00001 per share (the "Preferred Stock") that will be converted into Common Stock upon the consummation of the transactions contemplated hereby.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) The Company has all requisite power and authority to execute and deliver this Agreement and to otherwise perform its obligations under this Agreement. On or before each Delivery Date (as defined in Section 5 hereof), all action required to be taken by the Company for the authorization, issuance, sale and delivery of the Stock and the consummation of the transactions contemplated by this Agreement shall have been validly taken.

(h) The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the property or assets of the Company or any of its Subsidiaries is subject, nor will such actions result in any violation of the provisions of the articles of incorporation, bylaws or other governing documents, of the Company or any of its Subsidiaries or any law, statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its Subsidiaries or any of their properties or assets, nor will such action result in the creation or imposition of any lien, charge, claim or encumbrance upon any property or asset of the Company or any of its Subsidiaries; and except for the registration of the Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and applicable state securities, or "Blue Sky" laws in connection with the purchase and distribution of the Stock by the Underwriters, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body is required for the execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby, other than such consents, approvals, authorizations, registrations or qualifications that have been obtained.

(i) Except as described in the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act, other than any such rights that have been waived or satisfied.

(j) Except for the stock split effected by means of a stock dividend prior to the date of this Agreement and except for the grant of 14,262 shares of Common Stock in 2004 to certain key employees, the Company has not sold or issued any shares of Common Stock during the six-month period preceding the date of the Prospectus, including any sales pursuant to Rule 144A or Regulations D or S of the Securities Act, other than Common Stock issued upon conversion of the Preferred Stock in connection with the consummation of the transactions contemplated hereby, or shares issued pursuant to employee benefit plans, qualified stock options plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(k) Otherwise than as set forth or contemplated in the Prospectus, neither the Company nor any of its Subsidiaries has sustained, since the date of the latest audited financial statements included in the Prospectus, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, nor from any labor dispute or court or governmental action, order or decree; and, otherwise than as set forth or contemplated in the Prospectus, since such date, there has not been any change in the capital stock or long-term debt of the Company or any of its Subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, consolidated financial position, stockholders' equity, results of operations, business or prospects of the Company and its Subsidiaries.

(l) The financial statements (including the related notes and supporting schedules) filed as part of the Registration Statement and included in the Prospectus comply in all material respects with the applicable requirements under the Securities Act and the Exchange Act and present fairly in all material respects the financial condition, results of operations and cash flows of the entities purported to be shown thereby, at the dates and for the periods indicated, and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods indicated. The financial information contained in the Registration Statement and the Prospectus under the caption "Selected Historical and Pro Forma Financial Information" is derived from the accounting records of the Company and its Subsidiaries and fairly present the information purported to be shown thereby. The pro forma financial information contained in the Registration Statement and the Prospectus has been prepared on a basis consistent with the historical financial statements contained in the Prospectus (except for the pro forma adjustments specified therein), includes all material adjustments to the historical financial information required by Rule 11-02 of Regulation S-X under the Securities Act and the Exchange Act to reflect the transactions described in the Prospectus, gives effect to assumptions made on a reasonable basis and fairly presents the transactions described in the Prospectus. The other historical financial and statistical information and data included or incorporated by reference in the Prospectus are, in all material respects, fairly presented.

(m) Ernst & Young LLP, who have certified certain financial statements of the Company, whose report appears in the Prospectus and who have delivered the initial letter referred to in Section 9(i) hereof, are independent public accountants as required by the Securities Act and the Rules and Regulations.

(n) The Company and each of its Subsidiaries have (i) good and marketable title to all its interests in its natural gas and oil properties, (ii) good and marketable title in fee simple to all real property and (iii) good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects, except such as are described in the Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its Subsidiaries; and all assets held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company or any of its Subsidiaries.

(o) The Company and each of its Subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar businesses in similar industries. In the Company's reasonable judgment, such insurance insures against such losses and risks as are adequate to protect the Company and the Subsidiaries and their respective businesses. Neither the Company nor any Subsidiary has received notice from any insurer or agent of such insurer that substantial capital improvements or other expenditures will have to be made in order to continue such insurance; and all such insurance is outstanding and duly in force on the date hereof and will be outstanding and duly in force on each Delivery Date.

(p) The Company and each of its Subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights and licenses necessary for the conduct of their respective businesses and have no reason to believe that the conduct of their respective businesses will conflict with, and have not received any notice of any claim of conflict with, any such rights of others.

(q) Except as described in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its Subsidiaries is a party or of which any property or assets of the Company or any of its Subsidiaries is the subject which, if determined adversely to the Company or any of its Subsidiaries, might have a Material Adverse Effect; and to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

(r) There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened or contemplated, against the Company or any of its Subsidiaries, or to which the Company or any of its Subsidiaries is a party, or to which any of their respective properties or assets is subject, that are required to be described in the Registration Statement or the Prospectus but are not described as required, and there are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been described or filed as required.

(s) No relationship, direct or indirect, exists between or among the Company or any Subsidiary on the one hand, and the directors, officers, shareholders, customers or suppliers of the Company or any Subsidiary on the other hand, which is required to be described in the Prospectus which is not so described.

(t) No labor disturbance by the employees of the Company exists or, to the knowledge of the Company, is imminent or threatened, which might be expected to have a Material Adverse Effect.

(u) The Company is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in

ERISA) for which the Company would have any liability; the Company has not incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(v) The Company has filed all federal, state and local income and franchise tax returns required to be filed through the date hereof and has paid all taxes due thereon, and no tax deficiency has been determined adversely to the Company or any of its Subsidiaries which has had (nor does the Company have any knowledge of any tax deficiency which, if determined adversely to the Company or any of its Subsidiaries, might have) a Material Adverse Effect.

(w) Since the date as of which information is given in the Prospectus through the date hereof, and except as may otherwise be disclosed in the Prospectus, the Company has not (i) issued or granted any securities, other than Common Stock issued upon conversion of the Preferred Stock, or granted any options to purchase any securities, (ii) incurred any liability or obligation, direct or contingent, other than liabilities and obligations which were incurred in the ordinary course of business, (iii) entered into any transaction not in the ordinary course of business or (iv) declared or paid any dividend on its capital stock.

(x) The Company (i) makes and keeps accurate books and records and (ii) maintains internal accounting controls which provide reasonable assurance that (A) transactions are executed in accordance with management's authorization, (B) transactions are recorded as necessary to permit preparation of its financial statements and to maintain accountability for its assets, (C) access to its assets is permitted only in accordance with management's authorization and (D) the reported accountability for its assets is compared with existing assets at reasonable intervals.

(y) Neither the Company nor any of its Subsidiaries (i) is in violation of its articles of incorporation, bylaws or other governing documents, (ii) is in default (and no event has occurred which, with notice or lapse of time or both, would constitute such a default), in the due performance or observance of any term, covenant or condition contained in any material indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or (iii) is in violation in any material respect of any law, ordinance, governmental rule, regulation or court decree to which it or its property or assets may be subject or has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business. To the knowledge of the Company, no third party to any indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which the Company is a party or by which it is bound or to which any of its properties are subject is in default under any such agreement.

(z) Neither the Company nor any of its Subsidiaries, nor any director, officer, agent, employee or other person associated with or acting on behalf of the Company or any of its

Subsidiaries, has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(aa) Except as set forth in the Prospectus, there has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of toxic wastes, medical wastes, hazardous wastes or hazardous substances by the Company or any of its Subsidiaries (or, to the knowledge of the Company, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company or its Subsidiaries in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or remedial action which would not have, or could not be reasonably likely to have, individually or in the aggregate with all such violations and remedial actions, a Material Adverse Effect; there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any toxic wastes, medical wastes, solid wastes, hazardous wastes or hazardous substances due to or caused by the Company or any of its Subsidiaries or with respect to which the Company or any of its Subsidiaries have knowledge, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which would not have or would not be reasonably likely to have, individually or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, a Material Adverse Effect; and the terms “hazardous wastes”, “toxic wastes”, “hazardous substances” and “medical wastes” shall have the meanings specified in any applicable local, state, federal and foreign laws or regulations with respect to environmental protection.

(bb) Neither the Company nor any of its Subsidiaries is, or, as of the applicable Delivery Date after giving effect to the sale of Stock will be, (i) a “public utility company,” a “holding company” or a “subsidiary company” of a “holding company” or an “affiliate” thereof, within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (ii) an “investment company” as defined in the Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

(cc) The stock has been approved for listing on the New York Stock Exchange (“NYSE”), subject only to official notice of issuance.

(dd) To the knowledge of the Company, no action has been taken and no statute, rule or regulation or order has been enacted, adopted or issued by any governmental agency or body which prevents the sale of the Stock or suspends the effectiveness of the Registration Statement, prevents or suspends the use of any Preliminary Prospectus or suspends the sale of the Stock in any jurisdiction in which the Stock is qualified pursuant to Section 6(h) hereof; no injunction, restraining order or order of any nature by a federal or state court of competent jurisdiction has been issued with respect to the Company which would prevent or suspend the sale of the Stock, the effectiveness of the Registration Statement or the use of any Preliminary Prospectus in any jurisdiction in which the Stock is qualified pursuant to Section

6(h) hereof; no action, suit or proceeding is pending against or, to the best knowledge of the Company, threatened against or affecting the Company or any Subsidiary before any court or arbitrator or any governmental body, agency or official, domestic or foreign, which, if adversely determined, would materially interfere with or adversely affect the sale of the Stock or the other transactions contemplated hereby, or the performance by the Company of its obligations hereunder.

(ee) Except as disclosed in the Prospectus, each of the Company and its Subsidiaries has, or at each Delivery Date will have, such permits, consents, licenses, franchises and authorizations of governmental or regulatory authorities ("permits") as are necessary to conduct the business currently (or, as described or contemplated in the Prospectus, to be) operated by it, except for such permits which, if not obtained, would not have, individually or in the aggregate, a Material Adverse Effect; the Company and each of its Subsidiaries has fulfilled and performed all its material obligations with respect to such permits in the manner described, and subject to the limitations contained in the Prospectus, and no event has occurred that would prevent the permits from being renewed or reissued or that allows, or after notice or lapse of time would allow, revocation or termination thereof or results or would result in any impairment of the rights of the holder of any such permit, except for such non-renewals, non-issues, revocations, terminations and impairments that would not, individually or in the aggregate, have a Material Adverse Effect. Neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any such permit.

(ff) The information underlying the estimates of oil and natural gas reserves of the Company and its subsidiaries, which the Company supplied to its independent petroleum engineers for the purpose of preparing such engineer's reserve report and letter included as an annex to the Prospectus (the "Reserve Engineer's Letter") was true and correct in all material respects on the dates such estimates were made and such information was supplied and was prepared in accordance with customary industry practices; other than normal production of the reserves and intervening product price fluctuations as described in the Prospectus, the Company is not aware of any facts or circumstances that would result in an adverse change in the reserves, or the present value of future net cash flows therefrom, as described in the Prospectus and as reflected in the Reserve Engineer's Letter, that would reasonably be expected to result in a Material Adverse Effect; estimates of such reserves and present values as described in the Prospectus and reflected in the Reserve Engineer's Letter comply in all material respects with applicable requirements of Regulation S-X and Industry Guide 2 under the Securities Act.

(gg) (i) The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act); (ii) such disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that the Company will file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and are designed to ensure that information required to be disclosed by the Company in the reports that it will file or submit under the Exchange Act is accumulated and communicated to the Company's management, including the Company's principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure; and (iii) such

disclosure controls and procedures are effective in all material respects to perform the functions for which they were established.

(hh) The Company is in compliance in all material respects with applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Commission and the NYSE that pertain thereto that are effective, and is actively taking steps to ensure that it will be in compliance in all material respects with other applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Commission and the NYSE that pertain thereto upon the effectiveness of such provisions.

(ii) All documents necessary to effect the Conversion were duly and validly authorized, executed, delivered and filed with the appropriate state authorities and conform to the requirements of applicable law; the Conversion has been duly and validly completed and the Company is a Texas corporation;

(jj) The Amended and Restated Articles of Incorporation have been duly and validly authorized in accordance with the governing documents of the Company and applicable law and, prior to the First Delivery Date (as defined in Section 5), will be filed with the Secretary of State of the State of Texas and will be in effect on the First Delivery Date;

(kk) None of the Directed Shares (as defined below) distributed in connection with the Directed Share Program (as defined below) will be offered or sold outside of the United States; and

(ll) At or prior to the First Delivery Date, the Stockholders' Agreement by and among the Company and the stockholders named therein, dated as of December 2, 2002 (the "Stockholders' Agreement), shall be terminated and no longer in effect.

Section 2. *Representations, Warranties and Agreements of the Selling Shareholders.* Each Selling Shareholder severally and not jointly warrants and agrees with the several Underwriters that:

(a) The Selling Shareholder has valid title to the shares of Stock, or securities convertible into such Stock, to be sold by the Selling Shareholder hereunder on such date, free and clear of all liens, encumbrances, equities or claims; and upon delivery of such shares and payment therefor pursuant hereto, the several Underwriters will acquire valid title to such shares, free and clear of all liens, encumbrances, equities or claims.

(b) The Selling Shareholder either is a Custodian, as defined below, or has placed in custody under an Irrevocable Power of Attorney and Custody Agreement (the "Custody Agreement" and, together with all other similar agreements executed by the other Selling Shareholders, the "Custody Agreements") with the person named therein as custodian (each a "Custodian," the "Custodians"), for delivery under this Agreement, certificates representing the Stock to be sold by the Selling Shareholder hereunder.

(c) The Selling Shareholder has duly and irrevocably executed and delivered a power of attorney (the "Power of Attorney" and, together with all other similar instruments executed by the other Selling Shareholders, the "Powers of Attorney"), contained within the

applicable Custody Agreement, appointing the persons named therein as attorneys-in-fact, with full power of substitution, and with full authority (exercisable by any one or more of them) to execute and deliver this Agreement on such Selling Shareholder's behalf and to take such other action as may be necessary or desirable to carry out the provisions hereof on behalf of the Selling Shareholder.

(d) The Selling Shareholder has full right, power and authority to enter into this Agreement and the applicable Custody Agreement and the execution, delivery and performance of this Agreement and the applicable Custody Agreement by the Selling Shareholder and the consummation by the Selling Shareholder of the transactions contemplated hereby and thereby will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Selling Shareholder is a party or by which the Selling Shareholder is bound or to which any of the property or assets of the Selling Shareholder is subject, nor, for each Selling Shareholder that is not a natural person, (ii) will such actions result in any violation of the provisions of (A) any partnership or limited liability company agreement, certificate of incorporation, by-laws, operating agreement, deed of trust or other similar agreement or organizational document of the Selling Shareholder or (B) any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Selling Shareholder or the property or assets of the Selling Shareholder, except in the case of clauses (i) and (ii)(B) for such conflicts, breaches, violations and defaults as would not reasonably be expected to adversely affect such Selling Shareholder's ability to perform its obligations hereunder and under the applicable Custody Agreement; and except for the registration of the Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as have been obtained or as may be required under the Exchange Act or applicable state securities laws in connection with the purchase and distribution of the Stock by the Underwriters, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body is required for the execution, delivery and performance of this Agreement or the applicable Custody Agreement by the Selling Shareholder and the consummation of the transactions contemplated hereby and thereby.

(e) As of the Effective Time, the Registration Statement did not and any further amendment thereto will not, as of the applicable effective date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Prospectus and any amendment or supplement thereto will not, as of the applicable filing date and each Delivery Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that, no representation or warranty is made as to information contained in or omitted from the Registration Statement or the Prospectus in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Underwriters specifically for inclusion therein.

(f) This Agreement has been duly authorized, executed and delivered by or on behalf of the Selling Shareholder.

Section 3. *Purchase of the Stock by the Underwriters.* On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, each Selling Shareholder hereby agrees to sell the number of shares of Firm Stock set forth opposite its name on Schedule 2 hereto, severally and not jointly, to the several Underwriters, and each of the Underwriters, severally and not jointly, agrees to purchase the number of shares of the Firm Stock set forth opposite that Underwriter's name in Schedule 1 hereto. The respective purchase obligations of the Underwriters with respect to the Firm Stock shall be rounded among the Underwriters to avoid fractional shares, as the Underwriters may determine.

In addition, the Selling Shareholders grant to the Underwriters an option to purchase the number of shares of Option Stock set forth opposite such Selling Shareholder's name on Schedule 2 hereto. In the event that the Underwriters exercise their option in part but not in full, the Option Stock shall be purchased severally from the Selling Shareholders in proportion to the number of shares of Option Stock set forth opposite the respective names of such Selling Shareholders on Schedules 2A and 2B hereto. Such option is granted for the purpose of covering over-allotments in the sale of Firm Stock and is exercisable as provided in Section 5 hereof. Shares of Option Stock shall be purchased severally for the account of the Underwriters in proportion to the number of shares of Firm Stock set forth opposite the respective names of such Underwriters in Schedule 1 hereto. The respective purchase obligations of each Underwriter with respect to the Option Stock shall be adjusted by the Underwriters so that no Underwriter shall be obligated to purchase Option Stock other than in 100 share amounts. The price of both the Firm Stock and any Option Stock shall be $17.765 per share.

No Selling Shareholder shall be obligated to deliver any of the Stock to be delivered by it on any Delivery Date (as hereinafter defined), except upon payment for all the Stock to be purchased on such Delivery Date as provided herein.

Section 4. *Offering of Stock by the Underwriters.* Upon authorization by the Underwriters of the release of the Firm Stock, the several Underwriters propose to offer the Firm Stock for sale upon the terms and conditions set forth in the Prospectus. The Underwriters covenant that they will make no unlawful offers of the Firm Stock or the Option Stock.

It is understood that approximately 500,000 shares (constituting approximately 4% of the Firm Stock) of the Firm Stock ("Directed Shares") will initially be reserved by the Underwriters for offer and sale to employees and persons having relationships with the Company ("Directed Share Participants") upon the terms and conditions set forth in the Prospectus (the "Directed Share Program") and in accordance with the rules and regulations of the National Association of Securities Dealers, Inc. ("NASD"), and that any allocation of such Directed Shares among such persons will be made in accordance with timely directions received by Jefferies & Company, Inc. from the Company. Under no circumstances will Jefferies & Company, Inc. or any Underwriter be liable to the Company or to any Directed Share Participant for any action taken or omitted to be taken in good faith in connection with such Directed Share Program. To the extent that any Directed Shares are not affirmatively reconfirmed for purchase by any Directed Share Participant on or immediately after the date of this Agreement, such Directed Shares may be offered to the public as part of the public offering contemplated hereby.

Section 5. *Delivery of and Payment for the Stock.* Delivery of and payment for the Firm Stock shall be made at such place as shall be determined by agreement among the Underwriters and the Company, at 10:00 A.M., New York City time, on the fourth full Business Day (as defined in Section 17 hereof) following the date of this Agreement or at such other date as shall be determined by agreement between the Underwriters and the Company. This date and time are sometimes referred to as the "First Delivery Date." On the First Delivery Date, each Selling Shareholder shall, severally and not jointly, deliver or cause to be delivered certificates representing the Selling Shareholder Firm Stock to be sold by it to each Underwriter against payment to or upon the order of such Selling Shareholder of the purchase price by wire transfer in immediately available funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. Upon delivery, the Firm Stock shall be registered in such names and in such denominations as the Underwriters shall request in writing not less than two full Business Days prior to the First Delivery Date. For the purpose of expediting the checking and packaging of the certificates for the Firm Stock and each Selling Shareholder shall make the certificates representing the Firm Stock available for inspection by the Underwriters in New York, New York, not later than 2:00 P.M., New York City time, on the Business Day prior to the First Delivery Date.

At any time on or before the 30 days after the date of this Agreement, the option granted in Section 3 may be exercised in whole or in part from time to time by written notice being given by the Underwriters to the Selling Shareholders or their respective attorneys-in-fact under the Powers of Attorney. Such notice shall set forth the aggregate number of shares of Option Stock as to which the option is being exercised, the names in which the shares of Option Stock are to be registered, the denominations in which the shares of Option Stock are to be issued and the date and time, as determined by the Underwriters, when the shares of Option Stock are to be delivered; *provided, however,* that this date and time shall not be earlier than the First Delivery Date nor earlier than the second Business Day after the date on which the option shall have been exercised nor later than the fifth Business Day after the date on which the option shall have been exercised. The date and time the shares of Option Stock are delivered are sometimes referred to as a "Subsequent Delivery Date" and the First Delivery Date and any Subsequent Delivery Date are sometimes each referred to as a "Delivery Date."

Delivery of and payment for the Option Stock shall be made at the place specified in the first sentence of the first paragraph of this Section 5 (or at such other place as shall be determined by agreement among the Underwriters and the Company) at 10:00 A.M., New York City time, on each such Subsequent Delivery Date. On each such Subsequent Delivery Date, each Selling Shareholder shall, severally and not jointly, deliver or cause to be delivered the certificates representing the Option Stock to be purchased on such Subsequent Delivery Date to each Underwriter against payment to or upon the order of such Selling Shareholder of the purchase price by wire transfer in immediately available funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. Upon delivery, the Option Stock shall be registered in such names and in such denominations as the Underwriters shall request in the aforesaid written notice. For the purpose of expediting the checking and packaging of the certificates for the Option Stock, each Selling Shareholder shall make the certificates representing the Option Stock

available for inspection by the Underwriters in New York, New York, not later than 2:00 P.M., New York City time, on the Business Day prior to each such Subsequent Delivery Date.

Section 6. *Further Agreements of the Company.* The Company agrees:

(a) To prepare the Prospectus in a form approved by the Underwriters and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second Business Day following the execution and delivery of this Agreement or, if applicable, such earlier time as may be required by Rule 430A(a)(3) of the Rules and Regulations; to make no further amendment or any supplement to the Registration Statement or to the Prospectus except as permitted herein; to advise the Underwriters, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Underwriters with copies thereof; to advise the Underwriters, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, of the suspension of the qualification of the Stock for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) To furnish promptly to each of the Underwriters and to counsel for the Underwriters a signed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(c) To deliver promptly to the Underwriters such number of the following documents as the Underwriters shall reasonably request: (i) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits) and (ii) each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus; and, if the delivery of a prospectus is required at any time after the Effective Time in connection with the offering or sale of the Stock or any other securities relating thereto and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement the Prospectus in order to comply with the Securities Act, to notify the Underwriters and, upon their request, to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Underwriters may from time to time reasonably request of an amended or supplemented Prospectus which will correct such statement or omission or effect such compliance;

(d) To file promptly with the Commission any amendment to the Registration Statement or the Prospectus or any supplement to the Prospectus that may, in the judgment of the Company or the Underwriters, be required by the Securities Act or requested by the Commission;

(e) Prior to filing with the Commission any amendment to the Registration Statement or supplement to the Prospectus or any Prospectus pursuant to Rule 424 of the Rules and Regulations, to furnish a copy thereof to the Underwriters and counsel for the Underwriters and obtain the consent of the Underwriters to the filing;

(f) As soon as practicable after the Effective Date, to make generally available to the Company's security holders and to deliver to the Underwriters an earnings statement of the Company and its Subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules and Regulations (including, at the option of the Company, Rule 158);

(g) For a period of one year following the Effective Date, to furnish to the Underwriters copies of all materials furnished by the Company to its shareholders and all public reports and all reports and financial statements furnished by the Company to the principal national securities exchange upon which the Common Stock may be listed pursuant to requirements of or agreements with such exchange or to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder;

(h) Promptly from time to time to take such action as the Underwriters may reasonably request to qualify the Stock for offering and sale under the securities laws of such jurisdictions as the Underwriters may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Stock; provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction in which it is not otherwise subject;

(i) For a period of 180 days from the date of the Prospectus, not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of Common Stock or securities convertible into or exchangeable for Common Stock (other than the Stock and shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans existing on the date hereof or pursuant to currently outstanding options, warrants or rights), or sell or grant options, rights or warrants with respect to any shares of Common Stock or securities convertible into or exchangeable for Common Stock (other than the grant of options pursuant to option plans existing on the date hereof), (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, in each case without the prior written consent of Lehman Brothers Inc. on behalf of the Underwriters; provided, that the Company may issue shares of Common Stock in connection with acquisitions of oil and gas properties or of companies the assets of which consist primarily of oil and gas

properties; provided that in connection with such issuance, the recipients of such shares agree in writing to be bound by the foregoing restrictions of this Section 6(i) by executing and delivering to Lehman Brothers Inc. a letter or letters substantially in the form of Exhibit A hereto; and to cause each Selling Shareholder, executive officer and director of the Company to furnish to the Underwriters, prior to the First Delivery Date, a letter or letters, substantially in the form of Exhibit A hereto. Notwithstanding the foregoing, for the purpose of facilitating research coverage of the Company by the Underwriters and compliance with NYSE Rule 472 and NASD Rule 2711, if (1) during the last 17 days of the 180-day restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 180-day period, then the restrictions imposed by this letter shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

(j) To take such action as shall be necessary to comply with the rules and regulations of the NYSE and to maintain the listing of the Stock on the NYSE;

(k) To timely complete all required filings and otherwise fully comply in a timely manner with all provisions of the Exchange Act, including the rules and regulations thereunder, in connection with the registration of the Stock thereunder;

(l) To take such steps as shall be necessary to ensure that neither the Company nor any Subsidiary shall become an "investment company" as defined in the Investment Company Act of 1940, as amended and the rules and regulations thereunder;

(m) In connection with the Directed Share Program, to take such steps as are reasonably requested by Jefferies & Company, Inc. to ensure that the Directed Shares will be restricted to the extent required by the NASD or the rules of such association from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement, and Jefferies & Company, Inc. will notify the Company as to which Directed Share Participants will need to be so restricted. At the request of Jefferies & Company, Inc., the Company will direct the transfer agent to place stop transfer restrictions upon such securities for such period of time; and

(n) To comply in all material respects with all applicable securities and other applicable laws, rules and regulations in each foreign jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

Section 7. *Further Agreements of the Selling Shareholders.* Each Selling Shareholder, severally and not jointly, agrees:

(a) That, subject to the terms and conditions hereunder, the Stock to be sold by the Selling Shareholder hereunder, which is represented by certificates held in custody for the Selling Shareholder is subject to the interest of the Underwriters and the other Selling Shareholders, that the arrangements made by the Selling Shareholder for such custody are to that extent irrevocable, and that the obligations of the Selling Shareholder hereunder shall not be

terminated by any act of the Selling Shareholder, by operation of law, by the death or incapacity of any individual Selling Shareholder or, in the case of a trust, by the death or incapacity of any executor or trustee or the termination of such trust, or the occurrence of any other event.

(b) To deliver to the Underwriters prior to the First Delivery Date a properly completed and executed applicable United States Treasury Department Form W-8 (if the Selling Shareholder is a non-United States person) or Form W-9 (if the Selling Shareholder is a United States person).

(c) To cooperate with the Company and the Underwriters and to execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all such other instruments, and take all such other actions as such party may reasonably be requested to take by the Company and the Underwriters from time to time, in order to effectuate the sale of the Stock by such Shareholder in the offering contemplated hereby.

Section 8. *Expenses.* The Company agrees to pay (a) the costs incident to the authorization, issuance, sale and delivery of the Stock and any taxes payable in that connection; (b) the costs incident to the preparation, printing, filing, delivery and shipping of the Registration Statement and any amendments and exhibits thereto; (c) the costs of distributing the Registration Statement as originally filed and each amendment thereto and any post-effective amendments thereof (including, in each case, exhibits), each Preliminary Prospectus, the Prospectus and any amendment or supplement to the Prospectus, all as provided in this Agreement; (d) the costs of producing and distributing this Agreement and any other related documents in connection with the offering, purchase, sale and delivery of the Stock; (e) the filing fees incident to securing the review by the NASD of the terms of sale of the Stock; (f) any applicable listing or similar fees; (g) the fees and expenses (not in excess, in the aggregate, of $10,000) of qualifying the Stock under the securities laws of the several jurisdictions as provided in Section 6(h) and of preparing, printing and distributing a Blue Sky Memorandum (including related fees and expenses of counsel to the Underwriters); (h) the cost of printing certificates representing the shares of Stock; (i) the costs and charges of any transfer agent or registrar; (j) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Stock, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the Underwriters and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show (k) fees and disbursements of counsel for the Underwriters, incident to the Directed Share Program described in Section 4 and (l) all other costs and expenses incident to the performance of the obligations of the Company and the Selling Shareholders, except as provided below; provided that, except as provided in this Section 8 and in Section 13, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Stock which they may sell and the expenses of advertising any offering of the Stock made by the Underwriters; and the Selling Shareholders shall pay the underwriting discounts, selling commissions and transfer taxes payable in connection with their respective sales of Stock to the Underwriters, unless any such Selling Shareholder shall have otherwise agreed with the Company.

Section 9. *Conditions of Underwriters' Obligations.* The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on each Delivery Date, of the representations and warranties of the Company and the Selling Shareholders contained herein, to the performance by the Company and the Selling Shareholders of their obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with Section 6(a) hereof, the Registration Statement and all post-effective amendments to the Registration Statement shall have become effective, all filings required by Rule 424 and Rule 430A of the Rules and Regulations shall have been made and no such filings shall have been made without the consent of the Underwriters; no stop order suspending the effectiveness of the Registration Statement or any amendment or supplement thereto or suspending the qualification of the Stock for offering or sale in any jurisdiction shall have been issued; and no proceeding for the issuance of any such order shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been disclosed to the Underwriters and complied with to their satisfaction.

(b) No Underwriter shall have been advised by the Company or shall have discovered and disclosed to the Company that the Registration Statement or the Prospectus or any amendment or supplement thereto contains an untrue statement of fact which, in the opinion of the Underwriters or in the opinion of counsel to the Underwriters, is material or omits to state a fact which, in the opinion of the Underwriters or in the opinion of counsel to the Underwriters, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Custody Agreement, the Stock, the Registration Statement and the Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Underwriters, and the Company and the Selling Shareholders shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(d) Adams and Reese LLP shall have furnished to the Underwriters their written opinion, as counsel to the Company, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Underwriters, substantially to the effect set forth in Exhibit B hereto.

(e) The Underwriters shall have received from Baker Botts L.L.P., counsel for the Underwriters, such opinion or opinions, dated such Delivery Date, with respect to the issuance and sale of the Stock, the Registration Statement, the Prospectus and other related matters as the Underwriters may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(f) The counsel for the Management Selling Shareholders shall have furnished to the Underwriters its written opinion, as counsel to the Management Selling Shareholders, addressed to the Underwriters in form and substance reasonably satisfactory to the Underwriters dated such Delivery Date, to the effect set forth on Exhibit C hereto.

(g) The respective counsel for each Jefferies Selling Shareholder each shall have furnished the Underwriters their written opinion, as counsel to each of the Jefferies Selling Shareholders for whom they are acting as counsel, addressed to the Underwriters in form and substance reasonably satisfactory to the Underwriters dated such Delivery Date, to the effect set forth on Exhibit D hereto.

(h) At the time of execution of this Agreement, the Underwriters shall have received from Ernst & Young LLP a letter, in form and substance reasonably satisfactory to the Underwriters, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(i) With respect to the letter of Ernst & Young LLP referred to in the preceding paragraph and delivered to the Underwriters concurrently with the execution of this Agreement (the "initial letter"), the Company shall have furnished to the Underwriters a letter (the "bring-down letter") of such accountants, addressed to the Underwriters and dated such Delivery Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letters and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(j) The Underwriters shall have received from the Company's independent petroleum engineers, a letter or letters dated, respectively, the date of this Agreement and each Delivery Date, in form and substance reasonably satisfactory to the Underwriters, each stating, as of the date of such letter (or, with respect to matters involving changes or developments since the respective dates as of which information regarding the natural gas and oil reserves and future net cash flows is given in the Prospectus, as of the date not more than five days prior to the date of such letter), the conclusions and findings of such firm with respect to the natural gas and oil reserves of the Company and such other matters as the Underwriters reasonably may request.

(k) The Company shall have furnished to the Underwriters a certificate, dated such Delivery Date, of its Chief Executive Officer and its Chief Financial Officer stating that:

1. The representations, warranties and agreements of the Company in Section 1 hereof are true and correct as if made and as of such Delivery Date; the Company has complied with all its agreements and satisfied all conditions on its part to be complied with or satisfied at or prior to such Delivery Date; and

2. They have carefully examined the Registration Statement and the Prospectus and any amendments or supplement thereto, in their opinion (A) as of the Effective Date, such documents contain all statements and information required to be included therein and did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (B) since the Effective Date no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement or the Prospectus and which has not been so set forth, and (C) no event contemplated by subsection (l) of this Section 9 in respect of the Company or any Subsidiary shall have occurred.

(l) (A) Neither the Company nor any of its Subsidiaries shall have sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus and (B) since such date there shall not have been any change in the capital stock or long-term debt of the Company or any of its Subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations, business or prospects of the Company and its Subsidiaries, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (A) or (B), is, in the judgment of the Underwriters, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Stock being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(m) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by federal or state authorities; (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions, including without limitation as a result of terrorist activities after the date hereof, (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of the Underwriters, impracticable or inadvisable to proceed with the public offering or

delivery of the Stock being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(n) The New York Stock Exchange, Inc. shall have approved the Stock for listing, subject only to official notice of issuance.

(o) The Underwriters shall have been furnished by the Company such additional documents and certificates as the Underwriters or counsel for the Underwriters may reasonably request.

(p) Each Selling Shareholder (or the Custodian or one or more attorneys-in-fact on behalf of such Selling Shareholder) shall have furnished to the Underwriters on the relevant Delivery Date a certificate, dated such Delivery Date, signed by or on behalf of, such Selling Shareholder stating that the representations, warranties and agreements of such Selling Shareholder contained herein are true and correct as of such Delivery Date and that such Selling Shareholder has complied with all agreements contained herein to be performed by such Selling Shareholder at or prior to such Delivery Date.

(q) The Amended and Restated Articles of Incorporation shall have been filed with the Secretary of State of the State of Texas and shall be in effect on the First Delivery Date.

(r) The Company's issued and outstanding Class A Preferred Stock, par value $.00001 per share, shall have been converted into Common Stock.

(s) The Underwriters shall have received a written certificate executed by all the parties to the Stockholders' Agreement dated the First Delivery Date, stating that the Stockholders' Agreement is terminated and is no longer in effect.

(t) At the date of this Agreement, the Underwriters shall have received letters substantially in the form of Exhibit A hereto executed by each Selling Shareholder, executive officer and director of the Company.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

Section 10. *Indemnification and Contribution.*

(a) The Company shall indemnify and hold harmless each Underwriter (including any Underwriter in its role as qualified independent underwriter pursuant to the rules of the NASD), its officers and employees and each person, if any, who controls any Underwriter within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Stock), to which that Underwriter, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement

thereto, or (B) in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Stock ("Marketing Materials"), including any road show or investor presentations made to investors by the Company (whether in person or electronically) (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, or in any Marketing Materials, any material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Stock or the offering contemplated hereby, and that is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (provided that the Company shall not be liable under this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its gross negligence or willful misconduct), and shall reimburse each Underwriter and each such officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; *provided, however,* that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any such amendment or supplement, in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company by or on behalf of any Underwriter specifically for inclusion therein which information consists solely of the information specified in Section 10(f). The foregoing indemnity agreement is in addition to any liability that the Company may otherwise have to any Underwriter or to any officer, employee or controlling person of that Underwriter.

The Company hereby confirms that at its request Lehman Brothers Inc. has acted as "qualified independent underwriter" (in such capacity, the "QIU") within the meaning of Rule 2720 of the Conduct Rules of the NASD in connection with the offering of the Stock. The Company agrees to indemnify and hold harmless the QIU, including its officers and employees and each person, if any, who controls the QIU within the meaning of the Securities Act (collectively with the QIU, the "QIU Entities") from and against any losses, claims, damages or liabilities or any action in respect thereof, joint or several, to which any of the QIU Entities may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon the QIU's acting (or alleged failing to act) as such "qualified independent underwriter" and will reimburse the QIU Entities for any legal or other expenses reasonably incurred by them in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred.

The Company agrees to indemnify and hold harmless Jefferies & Company, Inc. (including its officers and employees) and each person, if any, who controls Jefferies & Company, Inc. within the meaning of the Securities Act ("Jefferies Entities"), from and against any loss, claim, damage or liability or any action in respect thereof to which any of the Jefferies

Entities may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action (i) arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the approval of the Company for distribution to Directed Share Participants in connection with the Directed Share Program 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, (ii) arises out of, or is based upon, the failure of the Directed Share Participant to pay for and accept delivery of Directed Shares that the Directed Share Participant agreed to purchase or (iii) is otherwise related to the Directed Share Program, other than losses, finally judicially determined to have resulted directly from the bad faith, gross negligence or willful misconduct of Jefferies & Company, Inc. The Company shall reimburse the Jefferies Entities promptly upon demand for any legal or other expenses reasonably incurred by them in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred.

(b) Each of the Selling Shareholders, severally and not jointly, in proportion to the number of shares of Stock to be sold by each of them hereunder, shall indemnify and hold harmless each Underwriter, its directors, officers and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of the Stock), to which that Underwriter, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein (with respect to the Preliminary Prospectus and the Prospectus, in light of the circumstances under which they were made) not misleading, but in each case only to the extent that the untrue statement or omission or alleged untrue statement or omission relates to information regarding such Selling Shareholder under the captions “Principal and Selling Shareholders and Ownership of Management” and “Certain Relationships and Related Transactions” or was made in reliance upon and in conformity with written information concerning such shareholder furnished to the Company by or on behalf of such Selling Shareholder specifically for inclusion therein and shall reimburse each Underwriter and any such director, officer, employee or controlling person for any legal or other expenses reasonably incurred by such Underwriter and any such director, officer, employee or controlling persons in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability that the Selling Shareholders may otherwise have to any Underwriter or to any director, officer, employee or controlling person of that Underwriter.

(c) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, each Selling Shareholder, each of their respective officers who have signed the Registration Statement, each of their respective directors, and each person, if any, who controls the Company or any Selling Shareholder within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof,

to which the Company or any such director, officer, controlling person or Selling Shareholder may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto, or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company by or on behalf of that Underwriter specifically for inclusion therein, which information is limited to the information set forth in Section 10(f) and shall reimburse the Company and any such director, officer, controlling person or any Selling Shareholder for any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person or Selling Shareholder in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability that any Underwriter may otherwise have to the Company or any such director, officer, employee, controlling person or Selling Shareholder.

(d) Promptly after receipt by an indemnified party under this Section 10 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 10, notify the indemnifying party in writing of the claim or the commencement of that action; *provided, however,* that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 10 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 10. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 10 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided, however,* that the Underwriters shall have the right to employ counsel to represent jointly the Underwriters and their respective directors, officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Underwriters against the Company under this Section 10 if, in the reasonable judgment of the Underwriters, it is advisable for those Underwriters, directors, officers, employees and controlling persons to be jointly represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by the Company. Notwithstanding anything contained herein to the contrary, if indemnity may be sought pursuant to Section 10(a) hereof in respect of such claim or action, then in addition to such separate firm for the indemnified parties, the indemnifying party shall be liable for the fees and expenses of not more than one separate firm (in addition to any local counsel) for the Jefferies Entities for the

defense of any loss, claim, damage, liability or action arising out of the Directed Share Program. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(e) If the indemnification provided for in this Section 10 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 10(a), 10(b) or 10(c) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Selling Shareholders on the one hand and the Underwriters on the other from the offering of the Stock or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Shareholders on the one hand and the Underwriters on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by Selling Shareholders on the one hand, and the Underwriters on the other, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Stock purchased under this Agreement (before deducting expenses) received by the Selling Shareholders, on the one hand, and the total underwriting discounts and commissions received by the Underwriters with respect to the shares of the Stock purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the shares of the Stock under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Shareholders or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 10(e) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 10 shall be deemed to include, for purposes of this Section 10(e), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.

Notwithstanding the provisions of this Section 10(e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Stock underwritten by it and distributed to the public was offered to the public exceeds the amount of any damages which such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 10(e) are several in proportion to their respective underwriting obligations and not joint.

(f) The Underwriters severally confirm and the Company and the Selling Shareholders acknowledge that the statements with respect to the public offering of the Stock by the Underwriters set forth on the cover page of, the legend concerning over-allotments on the inside front cover page of and the concession and reallowance figures appearing under the caption "Underwriting" in, the Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company and the Selling Shareholders by or on behalf of the Underwriters specifically for inclusion in the Registration Statement and the Prospectus.

Section 11. *Defaulting Underwriters*. If, on any Delivery Date, any Underwriter defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Underwriters shall be obligated to purchase the Stock which the defaulting Underwriter agreed but failed to purchase on such Delivery Date in the respective proportions which the number of shares of the Firm Stock set opposite the name of each remaining non-defaulting Underwriter in Schedule 1 hereto bears to the total number of shares of the Firm Stock set opposite the names of all the remaining non-defaulting Underwriters in Schedule 1 hereto; *provided, however,* that the remaining non-defaulting Underwriters shall not be obligated to purchase any of the Stock on such Delivery Date if the total number of shares of the Stock which the defaulting Underwriter or Underwriters agreed but failed to purchase on such date exceeds 9.09% of the total number of shares of the Stock to be purchased on such Delivery Date, and any remaining non-defaulting Underwriter shall not be obligated to purchase more than 110% of the number of shares of the Stock which it agreed to purchase on such Delivery Date pursuant to the terms of Section 3. If the foregoing maximums are exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Underwriters who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Stock to be purchased on such Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Underwriters do not elect to purchase the shares which the defaulting Underwriter or Underwriters agreed but failed to purchase on such Delivery Date, then the Company shall be entitled to a period of 36 hours within which to procure another party or parties reasonably satisfactory to Lehman Brothers Inc. to purchase the shares which the defaulting Underwriter or Underwriters agree but fail to purchase on such Delivery Date. If, after giving effect to such arrangements, the total number of shares of the Stock which remain unpurchased exceeds 9.09% of the total number of shares of the Stock to be purchased on such Delivery Date, then this Agreement (or, with respect to any Subsequent Delivery Date, the obligation of the Underwriters to purchase, and of the Selling Shareholders to sell, the Option Stock) shall terminate without liability on the part of any non-defaulting Underwriter, any Selling Shareholder or the Company, except that the Company and the Selling Shareholders will

continue to be liable for the payment of expenses to the extent set forth in Sections 8 and 13. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule 1 hereto who, pursuant to this Section 11, purchases Stock which a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company or the Selling Shareholders for damages caused by its default. If other underwriters are obligated or agree to purchase the Stock of a defaulting or withdrawing Underwriter, either the Underwriters or the Company may postpone the Delivery Date for up to seven full Business Days in order to effect any changes in the opinion of counsel for the Company or counsel for the Underwriters that may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

Section 12. *Termination.* The obligations of the Underwriters hereunder may be terminated by the Underwriters by notice given to and received by the Company and each Selling Shareholder prior to delivery of and payment for the Firm Stock if, prior to that time, any of the events described in Sections 9(l) or 9(m), shall have occurred or if the Underwriters shall decline to purchase the Stock for any reason permitted under this Agreement.

Section 13. *Reimbursement of Underwriters' Expenses.* If the Company or any Selling Shareholder shall fail to tender the Stock for delivery to the Underwriters by reason of any failure, refusal or inability on the part of the Company or any Selling Shareholder to perform any agreement on its part to be performed, or because any other condition of the Underwriters' obligations hereunder (other than the condition set forth in Section 9(m)) required to be fulfilled by the Company or any Selling Shareholder (including, without limitation, with respect to transactions) is not fulfilled, the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including fees and disbursements of counsel) incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Stock, and upon demand the Company shall pay the full amount thereof to the Underwriters. If this Agreement is terminated pursuant to Section 11 by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriter on account of those expenses.

Section 14. *Notices, Etc.* All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail, telex or facsimile transmission to Lehman Brothers Inc., 1285 Avenue of the Americas, 13th Floor, New York, New York 10019, Attention: Syndicate Registration Department (Fax: 212-526-0943), with a copy, in the case of any notice pursuant to Section 10(d), to the Director of Litigation, Office of the General Counsel, Lehman Brothers Inc., 399 Park Avenue, 10th Floor, New York, NY 10022;

(b) if to the Company, shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Tracy W. Krohn (Fax: 713-626-8527);

(c) if to any Selling Shareholder, shall be delivered or sent by mail, telex or facsimile transmission to such Selling Shareholder at the address set forth on Schedule 2 hereto, with a copy to counsel, if any, to such Selling Shareholder listed on such schedule;

provided, however, that any notice to an Underwriter pursuant to Section 10(d) shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its acceptance telex to Lehman Brothers Inc., which address will be supplied to any other party hereto by Lehman Brothers Inc. upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by Lehman Brothers Inc.

Section 15. *Persons Entitled to Benefit of Agreement.* This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, the Selling Shareholders and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (A) the representations, warranties, indemnities and agreements of the Company and the Selling Shareholders contained in this Agreement shall also be deemed to be for the benefit of the person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Securities Act and (B) the indemnity agreement of the Underwriters contained in Section 10(c) of this Agreement shall be deemed to be for the benefit of (i) directors of the Company, officers of the Company who have signed the Registration Statement and any person controlling the Company within the meaning of Section 15 of the Securities Act and (ii) directors of any Selling Shareholder and any person controlling such Selling Shareholder within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 15, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

Section 16. *Survival.* The respective indemnities, representations, warranties and agreements of the Company, the Selling Shareholders and the Underwriters contained in this Agreement or made by or on behalf on them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Stock and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

Section 17. *Definition of the Terms "Business Day" and "Subsidiary".* For purposes of this Agreement, (a) "Business Day" means each Monday, Tuesday, Wednesday, Thursday or Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close and (b) "Subsidiary" has the meaning set forth in Rule 405 of the Rules and Regulations.

Section 18. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of New York.

Section 19. *Counterparts.* This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

Section 20. *Headings*. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement among the Company, the Selling Shareholders and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

W & T OFFSHORE, INC.

By: _____

Name: Tracy W. Krohn
Title: Chairman of the Board and CEO

ON BEHALF OF HIMSELF AND
THE SELLING SHAREHOLDERS
SET FORTH IN SCHEDULE 2A HERETO

By: _____
Tracy W. Krohn
Attorney-in-Fact

ON BEHALF OF THE
SELLING SHAREHOLDERS
SET FORTH IN SCHEDULE 2B HERETO

By: _____
Stuart B. Katz
Attorney-in-Fact

Accepted:

LEHMAN BROTHERS INC.

For themselves and as Representatives
of the several Underwriters named
in Schedule 1 hereto

BY: LEHMAN BROTHERS INC.

By: _____
Authorized Representative

SCHEDULE 1

	Number of Shares of Firm Stock to be Purchased
Lehman Brothers Inc.	4,429,343
Jefferies & Company, Inc.	4,429,343
J.P. Morgan Securities Inc.	1,381,955
RBC Capital Markets	949,144
Raymond James & Associates, Inc.	949,144
Harris Nesbitt Corp.	516,334
Total	12,655,263

SCHEDULE 2A

MANAGEMENT SELLING SHAREHOLDERS

Selling Shareholder	Shares of Firm Stock to be Sold	Shares of Option Stock to be Sold if Option is Exercised in Full	Selling Shareholder's Counsel	Attorney in Fact	Notice Address
Tracy W. Krohn	2,645,371	396,804	Adams and Reese LLP	None	W&T Offshore, Inc. 8 Greenway Plaza, Suite 1330 Houston, Texas 77046
W. Reid Lea	9,005	1,351	Adams and Reese LLP	Tracy W. Krohn	W&T Offshore, Inc. 8 Greenway Plaza, Suite 1330 Houston, Texas 77046
Joseph P. Slattery	2,928	440	Adams and Reese LLP	Tracy W. Krohn	W&T Offshore, Inc. 8 Greenway Plaza, Suite 1330 Houston, Texas 77046
Jeffrey M. Durrant	9,138	1,371	Adams and Reese LLP	Tracy W. Krohn	W&T Offshore, Inc. 8 Greenway Plaza, Suite 1330 Houston, Texas 77046

SCHEDULE 2B

JEFFERIES SELLING SHAREHOLDERS

Selling Shareholder	Shares of Firm Stock to be Sold	Shares of Option Stock to be Sold if Option is Exercised in Full	Selling Shareholder's Counsel	Attorney in Fact	Notice Address
ING Furman Selz Investors III L.P.	5,226,766	784,014	Strook & Strook & Lavan LLP	Stuart B. Katz	Jefferies Capital Partners 520 Madison Ave. 8th floor New York, N.Y. 10022
ING Barings U.S. Leveraged Equity Plan LLC	1,850,551	277,583	Strook & Strook & Lavan LLP	Stuart B. Katz	Jefferies Capital Partners 520 Madison Ave. 8th floor New York, N.Y. 10022
ING Barings Global Leveraged Equity Plan Ltd	423,835	63,575	Strook & Strook & Lavan LLP Appleby Spurling Hunter	Stuart B. Katz	Jefferies Capital Partners 520 Madison Ave. 8th floor New York, N.Y. 10022
PPM America Private Equity Fund, L.P.	1,976,588	296,488	Sachnoff & Weaver, Ltd.	Stuart B. Katz	Jefferies Capital Partners 520 Madison Ave. 8th floor New York, N.Y. 10022
MCC 2003 Grantor Retained Annuity Trust	213,571	32,036	David J. Lukinovich, APLC	Stuart B. Katz	Danny Conwill 70 Audubon Blvd. New Orleans, LA 70118
DOC 2002 Trust #1	132,293	19,844	David J. Lukinovich, APLC	Stuart B. Katz	Danny Conwill 70 Audubon Blvd. New Orleans, LA 70118
Jefferies & Company	156,570	23,486	Strook & Strook & Lavan LLP	Stuart B. Katz	Jefferies & Company, Inc. 400 Poydras Street, Suite 2140 New Orleans, LA 70130
Stephen A. Landry	8,647	1,297	Strook & Strook & Lavan LLP	Stuart B. Katz	Stephen A. Landry 211 Turnberry Drive Covington, LA 70433

Exhibit A

LOCK-UP LETTER AGREEMENT

LEHMAN BROTHERS INC.
JEFFERIES & COMPANY, INC.
J.P. MORGAN SECURITIES, INC.
RBC CAPITAL MARKETS
RAYMOND JAMES & ASSOCIATES, INC.
HARRIS NESBITT CORP.

c/o Lehman Brothers Inc.
745 Seventh Avenue
New York, New York 10019

Dear Sirs:

The undersigned understands that you and certain other firms propose to enter into an Underwriting Agreement (the "Underwriting Agreement") providing for the purchase by you and such other firms (the "Underwriters") of shares (the "Shares") of Common Stock, par value $.00001 per share (the "Common Stock"), of W&T Offshore, Inc., a Texas corporation (the "Company"), and that the Underwriters propose to reoffer the Shares to the public (the "Offering").

In consideration of the execution of the Underwriting Agreement by the Underwriters, and for other good and valuable consideration, the undersigned hereby irrevocably agrees that, without the prior written consent of Lehman Brothers Inc., on behalf of the Underwriters, the undersigned will not, directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of Common Stock (including, without limitation, shares of Common Stock that may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and shares of Common Stock that may be issued upon exercise of any option or warrant) or securities convertible into or exchangeable for Common Stock (other than the Shares) owned by the undersigned on the date of execution of this Lock-Up Letter Agreement (except for shares set forth in the Prospectus as beneficially owned by the undersigned solely because the undersigned has a proxy to vote such shares until the date of the completion of the Offering) or on the date of the completion of the Offering, or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, for a period of 180 days after the date of the final Prospectus relating to the Offering.

Notwithstanding the foregoing, for the purpose of facilitating research coverage of the Company by the Underwriter and compliance with NYSE Rule 472 and NASD Rule 2711, if (1) during the last 17 days of the 180-day restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 180-day period, then the restrictions imposed by this letter shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

In furtherance of the foregoing, the Company and its Transfer Agent are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Letter Agreement.

It is understood that, if the Company notifies you that it does not intend to proceed with the Offering, if the Underwriting Agreement does not become effective, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Shares, we will be released from our obligations under this Lock-Up Letter Agreement.

The undersigned understands that the Company and the Underwriters will proceed with the Offering in reliance on this Lock-Up Letter Agreement.

Whether or not the Offering actually occurs depends on a number of factors, including market conditions. Any Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company, the Underwriters and the Selling Shareholders named therein.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Letter Agreement and that, upon request, the undersigned will execute any additional documents necessary in connection with the enforcement hereof. Any obligations of the undersigned shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

Very truly yours,

By: _____
Name:
Title:

Dated: _____

Exhibit B

OPINION OF ADAMS AND REESE LLP

AS COUNSEL FOR THE COMPANY

1. (a) The Company has been duly incorporated under the laws of the State of Texas, is validly existing and in good standing under the laws of the State of Texas and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which its ownership or lease of property or the conduct of its businesses requires such qualification, except where the failure to so qualify would not have a material adverse effect on the general affairs, management, consolidated financial position, stockholders' equity, results of operations, business or prospects of the Company and its Subsidiaries listed on Exhibit 21.1 to the Registration Statement (other than for the Subsidiary which is in the process of dissolution as indicated on such Exhibit 21.1, the "Subsidiaries") taken as a whole (a "Material Adverse Effect").

(b) Each of the Company's Subsidiaries has been duly formed and is validly existing in good standing under the laws of their respective jurisdictions of formation, are duly qualified to do business and are in good standing as foreign limited liability companies in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, except where the failure to so qualify would not have a Material Adverse Effect.

(c) Each of the Company and its Subsidiaries has all corporate or limited liability company power and authority necessary to own or hold its respective properties and conduct the businesses in which it is engaged.

2. (a) The Amended and Restated Articles of Incorporation were duly and validly authorized in accordance with the governing documents of the Company and applicable law, have been filed with the Secretary of State of the State of Texas, and are in effect as the articles of incorporation of the Company.

(b) The Company has the authorized capitalization as set forth in the Prospectus.

(c) All of the issued shares of capital stock of the Company have been duly authorized and validly issued, are fully paid and non-assessable and conform to the description thereof contained in the Prospectus.

(d) All of the issued membership interests of each Subsidiary of the Company have been duly authorized and validly issued and are fully paid, non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except as described in the Prospectus.

3. Except as described in the Prospectus, there are no preemptive or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any shares of the Common Stock pursuant to Texas law, the Company's Amended and Restated Articles of Incorporation or Amended and Restated Bylaws or, to our knowledge, any other agreement or other instrument.

4. To our knowledge and except as set forth in the Prospectus, there are no legal or governmental actions, suits or proceedings pending to which the Company or any of its Subsidiaries is a party or of which any property or assets of the Company or any of its Subsidiaries is the subject which, if determined adversely to the Company or any of its Subsidiaries, would, individually or in the aggregate, cause a Material Adverse Effect on the Company or that seek to set aside or affect the Company's obligations under the Underwriting Agreement**,** the transactions contemplated thereby, or the performance by the Company of its obligations thereunder. Except as disclosed in the Prospectus, to our knowledge and based solely on our review of the Documents, no such proceedings are threatened by governmental authorities or others which would, individually or in the aggregate, cause a Material Adverse Effect on the Company or that seek to set aside or affect the Company's obligations under the Underwriting Agreement**,** the transactions contemplated hereby, or the performance by the Company of its obligations thereunder.

5. The Registration Statement was declared effective under the Securities Act as of January 27, 2005, the Prospectus was filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations as of January 28, 2005; and no stop order suspending the effectiveness of the Registration Statement has been issued and, to our knowledge, no proceeding for that purpose is pending or threatened by the Commission.

6. The Registration Statement as of its effective date and the Prospectus as of its date (except for the financial statements and financial schedules and other financial, reserve and statistical data included therein, as to which we express no opinion) appeared, on their face, to comply as to form in all material respects with the requirements of the Securities Act and the Rules and Regulations.

7. To our knowledge, the statements in the Prospectus under the captions "Description of Capital Stock," "Management—Committees of our Board," "Management—Employment Agreement," "Management—Information About Our Long-Term Incentive Compensation Plan," "Certain Relationships and Related Transactions," "Shares Eligible for Future Sale—Rule 144," "Business and Properties—Regulation" and in the Registration Statement under Item 14 insofar as such statements purport to summarize the provisions of the documents or agreements specifically referred to therein or matters of law or legal conclusions, are accurate in all material respects and constitute a fair summary thereof, and the Common Stock conforms in all material respects to the description thereof contained under the caption "Description of Capital Stock."

8. To our knowledge, there are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been described or filed as exhibits to the Registration Statement.

9. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

10. The Company has all requisite corporate power and authority to execute and deliver the Underwriting Agreement and to perform its obligations under the Underwriting Agreement.

11. The execution, delivery and performance by the Company of the Underwriting Agreement and the consummation of the transactions contemplated thereby will not

(a) conflict with or result in a breach or violation of any of the terms or provisions of or constitute a default (or an event which, with notice or lapse of time or both, would constitute such a default) under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to us to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the property or assets of the Company or any of its Subsidiaries is subject, causing a Material Adverse Effect,

(b) result in any violation of the provisions of the articles of incorporation or bylaws of the Company or the Certificates of Formation or operating agreements of its Subsidiaries, or any law, statute or any order, rule or regulation known to us of any court or governmental agency or body having jurisdiction over the Company or any of its Subsidiaries or any of their properties or assets; and,

(c) except for the registration of the Shares under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities, or "Blue Sky" laws in connection with the purchase and distribution of the Shares by the Underwriters, require any consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body for the execution, delivery and performance of the Underwriting Agreement by the Company and the consummation of the transactions contemplated thereby, except for such consents, approvals, authorizations, orders, filings or registrations as have been obtained or made.

12. Except as described in the Prospectus, to our knowledge, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act other than any such rights that have been waived or satisfied.

13. Neither the Company nor any of the Subsidiaries is (a) a "public utility company," a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" thereof, within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (b) an "investment company" as defined in the Investment Company Act of 1940, as amended and the rules and regulations thereunder.

14. The Shares have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

In rendering such opinion, such counsel may state that their opinion is limited to matters governed by the federal laws of the United States of America, the laws of the States of Louisiana and Texas and the contract laws of the State of New York. Such opinion shall also be to the effect that (x) such counsel has acted as counsel to the Company in connection with the preparation of the Registration Statement and (y) based on the foregoing, no facts have come to the attention of such counsel which lead them to believe that the Registration Statement (except for the financial statements and financial schedules and other financial and statistical data included therein, as to which such counsel need express no opinion) as of the Effective Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that, as of its date, or as of the date of the opinion, the Prospectus (except as stated above) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The foregoing opinion and statement may be qualified by a statement to the effect that such counsel does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus (other than as set forth in clause (7) above).

Exhibit C

FORM OF OPINION OF COUNSEL FOR THE MANAGEMENT SELLING SHAREHOLDERS

1. Each Management Selling Shareholder has valid and unencumbered title to the Stock delivered by, or on behalf of, such Management Selling Shareholder on such Delivery Date and has full right, power and authority to sell, assign, transfer and deliver the Stock delivered by, or on behalf of, such Management Selling Shareholder on such Delivery Date hereunder; and upon consummation of the sale of the Stock by such Management Selling Shareholder to the Underwriters pursuant to this Agreement on such Delivery Date, the several Underwriters have acquired valid and unencumbered title to the Stock purchased by them hereunder.

2. No consent, approval, authorization or order of, or filing or registration with, any governmental agency or body or any court is required to be obtained or made by any Management Selling Shareholder for the consummation of the transactions contemplated by the applicable Custody Agreement or this Agreement in connection with the sale of the Stock sold by such Management Selling Shareholders, except such as have been obtained and made under the Securities Act and such as may be required under state securities laws.

3. The execution, delivery and performance of the applicable Custody Agreement and this Agreement and the consummation of the transactions therein and herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any rule, regulation or order of any governmental agency or body or any court having jurisdiction over any Management Selling Shareholder or any of their properties or any agreement or instrument to which any Management Selling Shareholder is a party or by which any Management Selling Shareholder is bound or to which any of the properties of any Management Selling Shareholder is subject.

4. The applicable Power of Attorney and related Custody Agreement with respect to each Management Selling Shareholder has been duly authorized, executed and delivered by such Management Selling Shareholder and constitute valid and legally binding obligations of such Management Selling Shareholder enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

5. This Agreement has been duly authorized, executed and delivered by each Management Selling Shareholder.

FORM OF OPINION OF COUNSEL FOR THE JEFFERIES SELLING SHAREHOLDERS

1. Each Jefferies Selling Shareholder has full entity power and authority to sell, assign, transfer and deliver the Stock delivered by, or on behalf of, such Jefferies Selling Shareholder on such Delivery Date hereunder; and upon such consummation of the sale of the Stock by such Jefferies Selling Shareholder to the Underwriters pursuant to this Agreement on such Delivery Date, interest of such Jefferies Selling Shareholder in such Stock has passed to the several Underwriters free of any adverse claim, assuming that such Underwriters are "protected purchasers" within the meaning of the Uniform Commercial Code as in effect in the State of New York.

2. To the best of our knowledge, no consent, approval, authorization or order of, or filing or registration with, any governmental agency or body or any court is required to be obtained or made by any Jefferies Selling Shareholder for the consummation of the transactions contemplated by the applicable Custody Agreement or this Agreement in connection with the sale of the Stock sold by such Jefferies Selling Shareholders, except such as have been obtained and made under the Securities Act and such as may be required under state securities laws.

3. The execution, delivery and performance of the applicable Custody Agreement or this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, or, to the best of our knowledge, any rule, regulation or order of any governmental agency or body or any court having jurisdiction over any Jefferies Selling Shareholder or any of their properties or, to the best of our knowledge, any agreement or instrument to which any Jefferies Selling Shareholder is a party or by which any Jefferies Selling Shareholder is bound or to which any of the properties of any Jefferies Selling Shareholder is subject or the certificate of formation or limited liability company agreement or other similar agreement or organizational document of such Jefferies Selling Shareholder that is not a natural person.

4. The applicable Power of Attorney and related Custody Agreement with respect to each Jefferies Selling Shareholder has been duly authorized, executed and delivered by such Jefferies Selling Shareholder and constitute valid and legally binding obligations of such Jefferies Selling Shareholder enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

5. This Agreement has been duly authorized, executed and delivered by each Jefferies Selling Shareholder.