
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2022**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **1-32414**

W&T OFFSHORE, INC.

(Exact name of registrant as specified in its charter)

Texas
(State of incorporation)

5718 Westheimer Road, Suite 700, Houston, Texas
(Address of principal executive offices)

72-1121985
(IRS Employer Identification Number)

77057-5745
(Zip Code)

(713) 626-8525
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company. Yes No

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.00001	WTI	New York Stock Exchange

As of July 31, 2022 there were 143,154,386 shares outstanding of the registrant's common stock, par value \$0.00001.

W&T OFFSHORE, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

	<u>Page</u>
<u>PART I – FINANCIAL INFORMATION</u>	1
<u>Item 1. Financial Statements</u>	1
- <u>Condensed Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021</u>	1
- <u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2022 and 2021</u>	2
- <u>Condensed Consolidated Statements of Changes in Shareholders' Deficit for the Three and Six Months Ended June 30, 2022 and 2021</u>	3
- <u>Condensed Consolidated Statements of Cash Flows for the Three and Six Months Ended June 30, 2022 and 2021</u>	4
- <u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	40
<u>Item 4. Controls and Procedures</u>	40
<u>PART II – OTHER INFORMATION</u>	41
<u>Item 1. Legal Proceedings</u>	41
<u>Item 1A. Risk Factors</u>	41
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
<u>Item 3. Defaults Upon Senior Securities</u>	43
<u>Item 4. Mine Safety Disclosures</u>	43
<u>Item 5. Other Information</u>	43
<u>Item 6. Exhibits</u>	44
<u>SIGNATURE</u>	45

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

W&T OFFSHORE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 377,724	\$ 245,799
Restricted cash	4,417	4,417
Receivables:		
Oil and natural gas sales	99,155	54,919
Joint interest, net	13,370	9,745
Total receivables	112,525	64,664
Prepaid expenses and other assets (Note 1)	53,073	43,379
Total current assets	547,739	358,259
Oil and natural gas properties and other, net (Note 1)	741,390	665,252
Restricted deposits for asset retirement obligations	21,667	16,019
Deferred income taxes	75,474	102,505
Other assets (Note 1)	53,538	51,172
Total assets	<u>\$ 1,439,808</u>	<u>\$ 1,193,207</u>
Liabilities and Shareholders' Deficit		
Current liabilities:		
Accounts payable	\$ 81,031	\$ 67,409
Undistributed oil and natural gas proceeds	51,215	36,243
Advances from joint interest partners	5,259	15,072
Asset retirement obligations	51,504	56,419
Accrued liabilities (Note 1)	153,967	106,140
Current portion of long-term debt	37,199	42,960
Income tax payable	3,356	133
Total current liabilities	383,531	324,376
Long-term debt, net (Note 2)	671,974	687,938
Asset retirement obligations, less current portion	409,265	368,076
Other liabilities (Note 1)	94,257	55,389
Deferred income taxes	113	113
Commitments and contingencies (Note 12)	5,037	4,495
Shareholders' deficit:		
Preferred stock, \$0.00001 par value; 20,000 shares authorized; none issued at June 30, 2022 and December 31, 2021	—	—
Common stock, \$0.00001 par value; 200,000 shares authorized; 146,024 issued and 143,154 outstanding at June 30, 2022; 145,732 issued and 142,863 outstanding at December 31, 2021	1	1
Additional paid-in capital	554,755	552,923
Retained deficit	(654,958)	(775,937)
Treasury stock, at cost; 2,869 shares at June 30, 2022 and December 31, 2021	(24,167)	(24,167)
Total shareholders' deficit	(124,369)	(247,180)
Total liabilities and shareholders' deficit	<u>\$ 1,439,808</u>	<u>\$ 1,193,207</u>

See Notes to Condensed Consolidated Financial Statements.

W&T OFFSHORE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:				
Oil	\$ 159,264	\$ 88,013	\$ 281,966	\$ 166,153
NGLs	16,735	8,833	30,555	18,193
Natural gas	92,413	32,470	143,779	68,679
Other	5,396	3,512	8,512	5,451
Total revenues	<u>273,808</u>	<u>132,828</u>	<u>464,812</u>	<u>258,476</u>
Operating expenses:				
Lease operating expenses	52,976	47,552	96,387	89,909
Gathering, transportation and production taxes	9,181	6,780	14,448	13,095
Depreciation, depletion, and amortization	27,679	24,924	52,354	45,694
Asset retirement obligations accretion	6,681	6,028	12,917	11,895
General and administrative expenses	14,967	13,986	28,743	24,698
Total operating expenses	<u>111,484</u>	<u>99,270</u>	<u>204,849</u>	<u>185,291</u>
Operating income	<u>162,324</u>	<u>33,558</u>	<u>259,963</u>	<u>73,185</u>
Interest expense, net	18,183	16,530	38,066	31,564
Derivative (gain) loss	(8,854)	81,440	71,143	106,020
Other (income) expense, net	(1,534)	—	(629)	963
Income (loss) before income taxes	154,529	(64,412)	151,383	(65,362)
Income tax expense (benefit)	31,093	(12,740)	30,404	(12,944)
Net income (loss)	<u>\$ 123,436</u>	<u>\$ (51,672)</u>	<u>\$ 120,979</u>	<u>\$ (52,418)</u>
Net income (loss) per common share:				
Basic	\$ 0.86	\$ (0.36)	\$ 0.85	\$ (0.37)
Diluted	\$ 0.85	\$ (0.36)	\$ 0.84	\$ (0.37)
Weighted average common shares outstanding				
Basic	143,020	142,244	142,981	142,197
Diluted	144,525	142,244	144,094	142,197

See Notes to Condensed Consolidated Financial Statements.

W&T OFFSHORE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(In thousands)
(Unaudited)

	Common Stock Outstanding		Additional Paid-In Capital	Retained Deficit	Treasury Stock		Total Shareholders' Deficit
	Shares	Value			Shares	Value	
Balances at March 31, 2022	143,012	\$ 1	\$ 553,175	\$ (778,394)	2,869	\$ (24,167)	\$ (249,385)
Share-based compensation	—	—	2,014	—	—	—	2,014
Stock Issued	143	—	—	—	—	—	—
RSUs surrendered for payroll taxes	—	—	(434)	—	—	—	(434)
Net income	—	—	—	123,436	—	—	123,436
Balances at June 30, 2022	<u>143,155</u>	<u>\$ 1</u>	<u>\$ 554,755</u>	<u>\$ (654,958)</u>	<u>2,869</u>	<u>\$ (24,167)</u>	<u>\$ (124,369)</u>

	Common Stock Outstanding		Additional Paid-In Capital	Retained Deficit	Treasury Stock		Total Shareholders' Deficit
	Shares	Value			Shares	Value	
Balances at March 31, 2021	142,305	\$ 1	\$ 550,793	\$ (735,205)	2,869	\$ (24,167)	\$ (208,578)
Share-based compensation	—	—	467	—	—	—	467
Stock Issued	62	—	—	—	—	—	—
Net loss	—	—	—	(51,672)	—	—	(51,672)
Balances at June 30, 2021	<u>142,367</u>	<u>\$ 1</u>	<u>\$ 551,260</u>	<u>\$ (786,877)</u>	<u>2,869</u>	<u>\$ (24,167)</u>	<u>\$ (259,783)</u>

	Common Stock Outstanding		Additional Paid-In Capital	Retained Deficit	Treasury Stock		Total Shareholders' Deficit
	Shares	Value			Shares	Value	
Balances at December 31, 2021	142,863	\$ 1	\$ 552,923	\$ (775,937)	2,869	\$ (24,167)	\$ (247,180)
Share-based compensation	—	—	2,534	—	—	—	2,534
Stock Issued	292	—	—	—	—	—	—
RSUs surrendered for payroll taxes	—	—	(702)	—	—	—	(702)
Net income	—	—	—	120,979	—	—	120,979
Balances at June 30, 2022	<u>143,155</u>	<u>\$ 1</u>	<u>\$ 554,755</u>	<u>\$ (654,958)</u>	<u>2,869</u>	<u>\$ (24,167)</u>	<u>\$ (124,369)</u>

	Common Stock Outstanding		Additional Paid-In Capital	Retained Deficit	Treasury Stock		Total Shareholders' Deficit
	Shares	Value			Shares	Value	
Balances at December 31, 2020	142,305	\$ 1	\$ 550,339	\$ (734,459)	2,869	\$ (24,167)	\$ (208,286)
Share-based compensation	—	—	921	—	—	—	921
Stock Issued	62	—	—	—	—	—	—
Net loss	—	—	—	(52,418)	—	—	(52,418)
Balances at June 30, 2021	<u>142,367</u>	<u>\$ 1</u>	<u>\$ 551,260</u>	<u>\$ (786,877)</u>	<u>2,869</u>	<u>\$ (24,167)</u>	<u>\$ (259,783)</u>

See Notes to Condensed Consolidated Financial Statements.

W&T OFFSHORE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2022	2021
Operating activities:		
Net income (loss)	\$ 120,979	\$ (52,418)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion, amortization and accretion	65,271	57,589
Amortization of debt items and other items	4,365	2,967
Share-based compensation	2,534	921
Derivative loss	71,143	106,020
Derivative cash receipts (payments), net	70,227	(41,130)
Derivative cash premium payments	(46,111)	—
Deferred income taxes	27,031	(13,006)
Changes in operating assets and liabilities:		
Oil and natural gas receivables	(44,236)	(11,390)
Joint interest receivables	(3,625)	(910)
Prepaid expenses and other assets	(30,092)	(17,605)
Income tax	3,223	(92)
Asset retirement obligation settlements	(39,775)	(11,213)
Cash advances from JV partners	(9,813)	(3,925)
Accounts payable, accrued liabilities and other	46,638	30,386
Net cash provided by operating activities	<u>237,759</u>	<u>46,194</u>
Investing activities:		
Investment in oil and natural gas properties and equipment	(25,489)	(5,854)
Changes in operating assets and liabilities associated with investing activities	(5,786)	(3,078)
Acquisition of property interests	(47,625)	—
Net cash used in investing activities	<u>(78,900)</u>	<u>(8,932)</u>
Financing activities:		
Repayments on credit facility	—	(80,000)
Proceeds from Term Loan	—	215,000
Repayments on Term Loan	(24,941)	—
Debt issuance costs	(1,290)	(6,840)
Other	(703)	—
Net cash (used in) provided by financing activities	<u>(26,934)</u>	<u>128,160</u>
Increase in cash and cash equivalents	131,925	165,422
Cash and cash equivalents and restricted cash, beginning of period	250,216	43,726
Cash and cash equivalents and restricted cash, end of period	<u>\$ 382,141</u>	<u>\$ 209,148</u>

See Notes to Condensed Consolidated Financial Statements.

NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

W&T Offshore, Inc. (with subsidiaries referred to herein as “W&T” or the “Company”) is an independent oil and natural gas producer with substantially all of its operations offshore in the Gulf of Mexico. The Company is active in the exploration, development and acquisition of oil and natural gas properties. Interests in fields, leases, structures and equipment are primarily owned by the Company and its 100% owned subsidiaries, W & T Energy VI, LLC, Aquasition LLC (“A-I, LLC”), and Aquasition II, LLC (“A-II LLC”), and through a proportionately consolidated interest in Monza Energy LLC (“Monza”), as described in more detail in *Note 6 – Joint Venture Drilling Program*.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim periods and the appropriate rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, the condensed consolidated financial statements do not include all of the information and footnote disclosures required by GAAP for complete financial statements for annual periods. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Operating results for interim periods are not necessarily indicative of the results that may be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s 2021 Annual Report on Form 10-K (the “2021 Annual Report”).

Reclassification – For presentation purposes, as of June 30, 2021, *Derivative (gain) loss* has been reclassified from “Operating income” on the Condensed Consolidated Statement of Operations in order to conform to the current period presentation. Such reclassification had no effect on the Company’s results of operations, financial position or cash flows.

For presentation purposes, as of June 30, 2021, *Gathering and transportation* and *Production taxes* have been combined into one line item within “Operating income” on the Condensed Consolidated Statement of Operations in order to conform to the current period presentation. Such reclassification had no effect on the Company’s results of operations, financial position or cash flows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods and the reported amounts of proved oil and natural gas reserves. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

Revenue and Accounts Receivable – Revenue from the sale of crude oil, natural gas liquids (“NGLs”) and natural gas is recognized when performance obligations under the terms of the respective contracts are satisfied; this generally occurs with the delivery of crude oil, NGLs and natural gas to the customer. Revenue is concentrated with certain major oil and gas companies. There have been no significant changes to the Company’s contracts with customers during the six months ended June 30, 2022.

The Company also has receivables related to joint interest arrangements primarily with mid-size oil and gas companies with a substantial majority of the net receivable balance concentrated in less than ten companies. A loss methodology is used to develop the allowance for credit losses on material receivables to estimate the net amount to be collected. The loss methodology uses historical data, current market conditions and forecasts of future economic conditions. The Company's maximum exposure at any time would be the receivable balance. Joint interest receivables on the Condensed Consolidated Balance Sheet are presented net of allowance for credit losses of \$11.6 million and \$10.0 million as of June 30, 2022 and December 31, 2021, respectively.

Employee Retention Credit – Under the Consolidated Appropriations Act of 2021 passed by the United States Congress and signed by the President on December 27, 2020, the Company recognized a \$2.1 million employee retention credit during the six months ended June 30, 2021 which is included as a credit to *General and administrative expenses* in the Condensed Consolidated Statement of Operations. No such credit has been recognized during the six months ended June 30, 2022.

Prepaid Expenses and Other Assets – The amounts recorded are expected to be realized within one year and the major categories are presented in the following table (in thousands):

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Derivatives ⁽¹⁾ (Note 8)	\$ 25,820	\$ 21,086
Unamortized insurance/bond premiums	6,404	5,400
Prepaid deposits related to royalties	11,476	8,441
Prepayment to vendors	5,344	4,522
Prepayments to joint interest partners	2,768	2,808
Debt issue costs	1,207	1,065
Other	54	57
Prepaid expenses and other assets	<u>\$ 53,073</u>	<u>\$ 43,379</u>

(1) Includes closed contracts which have not yet settled.

Oil and Natural Gas Properties and Other, Net – Oil and natural gas properties and equipment are recorded at cost using the full cost method. There were no amounts excluded from amortization as of the dates presented in the following table (in thousands):

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Oil and natural gas properties and equipment	\$ 8,764,899	\$ 8,636,408
Furniture, fixtures and other	20,845	20,844
Total property and equipment	8,785,744	8,657,252
Less: Accumulated depreciation, depletion, amortization and impairment	(8,044,354)	(7,992,000)
Oil and natural gas properties and other, net	<u>\$ 741,390</u>	<u>\$ 665,252</u>

Other Assets (long-term) – The major categories are presented in the following table (in thousands):

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Right-of-Use assets	\$ 10,523	\$ 10,602
Investment in White Cap, LLC	2,989	2,533
Proportional consolidation of Monza (Note 6)	12,504	2,511
Derivatives ⁽¹⁾ (Note 8)	26,509	34,435
Other	1,013	1,091
Total other assets (long-term)	<u>\$ 53,538</u>	<u>\$ 51,172</u>

(1) Includes open contracts and prepaid premiums paid for purchased put and call options.

Accrued Liabilities – The major categories are presented in the following table (in thousands):

	June 30, 2022	December 31, 2021
Accrued interest	\$ 10,165	\$ 10,154
Accrued salaries/payroll taxes/benefits	5,052	9,617
Litigation accruals	500	646
Lease liability	1,417	1,115
Derivatives ⁽¹⁾ (Note 8)	135,963	81,456
Other	870	3,152
Total accrued liabilities	\$ 153,967	\$ 106,140

(1) Includes closed contracts which have not yet settled.

Other Liabilities (long-term) – The major categories are presented in the following table (in thousands):

	June 30, 2022	December 31, 2021
Dispute related to royalty deductions	\$ 6,534	\$ 5,177
Derivatives (Note 8)	75,550	37,989
Lease liability	10,971	11,227
Other	1,202	996
Total other liabilities (long-term)	\$ 94,257	\$ 55,389

At-the-Market Equity Offering – On March 18, 2022, the Company filed a prospectus supplement related to the issuance and sale of up to \$100,000,000 of shares of common stock under the Company's "at-the-market" equity offering program (the "ATM Program"). The designated sales agents will be entitled to a placement fee of up to 3.0% of the gross sales price per share sold. During the six months ended June 30, 2022, the Company did not sell any shares in connection with the ATM Program.

NOTE 2 — DEBT

The components comprising the Company's debt are presented in the following table (in thousands):

	June 30, 2022	December 31, 2021
Term Loan:		
Principal	\$ 165,918	\$ 190,859
Unamortized debt issuance costs	(5,569)	(7,545)
Total Term Loan	160,349	183,314
Credit Agreement borrowings:	—	—
Senior Second Lien Notes:		
Principal	552,460	552,460
Unamortized debt issuance costs	(3,636)	(4,876)
Total Senior Second Lien Notes	548,824	547,584
Less current portion	(37,199)	(42,960)
Total long-term debt, net	\$ 671,974	\$ 687,938

Current Portion of Long-Term Debt

As of June 30, 2022, the current portion of long-term debt of \$37.2 million represented principal payments due within one year on the Term Loan (defined below).

Term Loan (Subsidiary Credit Agreement)

On May 19, 2021, A-I LLC and A-II LLC (collectively, the “Subsidiary Borrowers”), both Delaware limited liability companies and indirect, wholly-owned subsidiaries of W&T Offshore, Inc., entered into a credit agreement (the “Subsidiary Credit Agreement”) providing for a term loan in an aggregate principal amount equal to \$215.0 million (the “Term Loan”). The Term Loan requires quarterly amortization payments, which commenced on September 30, 2021. The Term Loan bears interest at a fixed rate of 7% per annum and will mature on May 19, 2028. The Term Loan is non-recourse to the Company and any subsidiaries other than the Subsidiary Borrowers and the subsidiary that owns the equity in the Subsidiary Borrowers, and is secured by the first lien security interests in the equity of the Subsidiary Borrowers and a first lien mortgage security interest and mortgages on certain assets of the Subsidiary Borrowers (the Mobile Bay Properties, defined below).

In exchange for the net cash proceeds received by the Subsidiary Borrowers from the Term Loan, the Company assigned to (a) A-I LLC all of its interests in certain oil and gas leasehold interests and associated wells and units located in State of Alabama waters and U.S. federal waters in the offshore Gulf of Mexico, in the Mobile Bay region (such assets, the “Mobile Bay Properties”) and (b) A-II LLC its interest in certain gathering and processing assets located (i) in State of Alabama waters and U.S. federal waters in the offshore Gulf of Mexico, in the Mobile Bay region and (ii) onshore near Mobile, Alabama, including offshore gathering pipelines, an onshore crude oil treating and sweetening facility, an onshore gathering pipeline, and associated assets (such assets, the “Midstream Assets”). A portion of the proceeds to the Company was used to repay the \$48.0 million outstanding balance on its reserve-based lending facility under the Credit Agreement (defined below), with the majority of the proceeds to W&T expected to be used for general corporate purposes, including oil and gas acquisitions, development activities, and other opportunities to grow the Company’s broader asset base. The transactions contemplated by the Subsidiary Credit Agreement, including the assignment of the Mobile Bay Properties to A-I LLC and the assignment of the Midstream Assets to A-II LLC are referred to herein as the “Mobile Bay Transaction”. For information about the Mobile Bay Transaction refer to *Note 5 – Subsidiary Borrowers*.

Credit Agreement

On November 2, 2021, the Company entered into the Ninth Amendment to the Sixth Amended and Restated Credit Agreement (the “Ninth Amendment”), which establishes a short-term \$100.0 million first priority lien secured revolving facility with borrowings limited to a borrowing base of \$50.0 million (the “Credit Agreement”) provided by Calculus Lending, LLC (“Calculus”), a company affiliated with, and controlled by W&T’s Chairman and Chief Executive Officer, Tracy W. Krohn, as sole lender under the Credit Agreement. A committee of the independent members of the Board of Directors reviewed and approved the amendments given the Chief Executive Officer’s affiliation with Calculus. As of November 2, 2021, the Company cash collateralized each of the outstanding letters of credit in the aggregate amount of approximately \$4.4 million. Alter Domus (US) LLC was appointed to replace Toronto Dominion (Texas) LLC as administrative agent under the Credit Agreement.

On March 8, 2022, the Company entered into the Tenth Amendment to Credit Agreement (the “Tenth Amendment”), which extended the maturity date and Calculus’ commitment to January 3, 2023. The terms of this extension with Calculus were reviewed and approved by the Audit Committee of the Company.

As a result of the Ninth Amendment and Tenth Amendment and related assignments and agreements, the primary terms and covenants associated with the Credit Agreement as of June 30, 2022, are as follows:

- The revised borrowing base is \$50.0 million;
- The commitment will expire and final maturity of any and all outstanding loans is January 3, 2023. Outstanding borrowings will accrue interest at LIBOR plus 6.0% per annum. The commitment fee for the unused portion of available borrowing amounts will be 3.0% per annum;
- The Company’s ratio of First Lien Debt (as such term is defined in the Credit Agreement) outstanding under the Credit Agreement on the last day of the most recent quarter to EBITDAX (as such term is defined in the Credit

Agreement) for the trailing four quarters must not be greater than 2.50 to 1.00 on the last day of the fiscal quarter ending March 31, 2022 and on the last day of each fiscal quarter thereafter;

- The Company's ratio of Total Proved PV-10 (as such term is defined in the Credit Agreement) to First Lien Debt as of the last day of any fiscal quarter commencing with the fiscal quarter ending March 31, 2022 must be equal to or greater than 2.00 to 1.00;
- The ratio of the Company and its restricted subsidiaries' consolidated current assets to Company and its restricted subsidiaries' consolidated current liabilities (subject in each case to certain exceptions and adjustments as set forth in the Credit Agreement) at the last day of any fiscal quarter must be greater than or equal to 1.00 to 1.00;
- As of the last day of any fiscal quarter commencing with the fiscal quarter ending March 31, 2022, the Company and its restricted subsidiaries on a consolidated basis must pass a "Stress Test" consisting of an analysis conducted by the lender in good faith and in consultation with the Company based upon the latest engineering report furnished to lender, which analysis is designed to determine whether the future net revenues expected to accrue to the Company's and its guarantor subsidiaries' interest (and the interest of certain joint ventures) in the oil and gas properties included in the properties used to determine the latest borrowing base during half of the remaining expected economic lives of such properties are sufficient to satisfy the aggregate first lien indebtedness of the Company and its restricted subsidiaries in accordance with the terms of such indebtedness assuming the revolving credit facility is 100% funded or fully utilized; and
- Certain related party transactions are required to meet certain arm's length criteria; except in each case as specifically permitted or excluded from the covenant under the Credit Agreement.

In connection with the Tenth Amendment, Calculus was paid arrangement and upfront fees of approximately \$1.0 million in the aggregate during the six months ended June 30, 2022. In addition, Calculus earned commitment fees of \$750,000, equal to 3.0% of unborrowed portion of the borrowing base lending commitment, during the six months ended June 30, 2022.

Availability under the Credit Agreement is subject to redetermination of the borrowing base that may be requested at the discretion of either the lender or the Company in accordance with the Credit Agreement. The borrowing base is calculated by the lender based on their evaluation of proved reserves and their own internal criteria. Any redetermination by the lender to change the borrowing base will result in a similar change in the availability under the Credit Agreement. The Credit Agreement is secured by a first priority lien on substantially all of the Company's and its guarantor subsidiaries' assets, excluding those assets of the Subsidiary Borrowers, which liens were released in the Mobile Bay Transaction (as described in *Note 5 – Subsidiary Borrowers*).

As of June 30, 2022, there were no borrowings outstanding under the Credit Agreement and no borrowings had been incurred under the Credit Agreement during the six months ended June 30, 2022. Separately, as of June 30, 2022 and December 31, 2021, the Company had \$4.4 million, outstanding in letters of credit which have been cash collateralized.

9.75% Senior Second Lien Notes Due 2023

On October 18, 2018, W&T issued \$625.0 million of 9.75% Senior Second Lien Notes due 2023 (the "Senior Second Lien Notes"), which were issued at par with an interest rate of 9.75% per annum and mature on November 1, 2023, and are governed under the terms of the Indenture of the Senior Second Lien Notes (the "Indenture"). The estimated annual effective interest rate on the Senior Second Lien Notes is 10.3%, which includes amortization of debt issuance costs. Interest on the Senior Second Lien Notes is payable in arrears on May 1 and November 1 of each year. As of June 30, 2022 and December 31, 2021, \$552.5 million in principal amount of Senior Second Lien Notes remained issued and outstanding.

The Senior Second Lien Notes are secured by a second-priority lien on all of the Company's assets that are secured under the Credit Agreement, which does not include the Mobile Bay Properties and the related Midstream Assets. The Senior Second Lien Notes contain covenants that limit or prohibit the Company's ability and the ability of certain subsidiaries to: (i) make investments; (ii) incur additional indebtedness or issue certain types of preferred stock; (iii) create certain liens; (iv) sell assets; (v) enter into agreements that restrict dividends or other payments from the Company's subsidiaries to the Company; (vi) consolidate, merge or transfer all or substantially all of the assets of the Company; (vii) engage in transactions with affiliates; (viii) pay dividends or make other distributions on capital stock or subordinated indebtedness; and (ix) create subsidiaries that would not be restricted by the covenants of the Indenture. These covenants are subject to exceptions and qualifications set forth in the Indenture. In addition, most of the above described covenants will terminate if both S&P Global Ratings, a division of S&P Global Inc., and Moody's Investors Service, Inc. assign the Senior Second Lien Notes an investment grade rating and no default exists with respect to the Senior Second Lien Notes.

Covenants

As of June 30, 2022 and for all prior measurement periods presented, the Company was in compliance with all applicable covenants of the Credit Agreement and the Indenture.

NOTE 3 – FAIR VALUE MEASUREMENTS

Derivative Financial Instruments

The Company measures the fair value of derivative financial instruments by applying the income approach, using models with inputs that are classified within Level 2 of the valuation hierarchy. The inputs used for the fair value measurement of derivative financial instruments are the exercise price, the expiration date, the settlement date, notional quantities, the implied volatility, the discount curve with spreads and published commodity future prices. Derivative financial instruments are reported in the Condensed Consolidated Balance Sheets using fair value. See *Note 8 – Derivative Financial Instruments*, for additional information on derivative financial instruments.

The following table presents the fair value of the Company's derivative financial instruments (in thousands):

	June 30, 2022	December 31, 2021
Assets:		
Derivative instruments - current	\$ 25,821	\$ 21,086
Derivative instruments - long-term	26,509	34,435
Liabilities:		
Derivative instruments - current	135,963	81,456
Derivative instruments - long-term	75,550	37,989

Debt Instruments

The following table presents the net value and fair value of the Company’s debt (in thousands):

	June 30, 2022		December 31, 2021	
	Net Value	Fair Value	Net Value	Fair Value
Liabilities:				
Term Loan	\$ 160,349	\$ 158,912	\$ 183,314	\$ 190,579
Senior Second Lien Notes	548,824	526,638	547,584	527,715
Total	<u>\$ 709,173</u>	<u>\$ 685,550</u>	<u>\$ 730,898</u>	<u>\$ 718,294</u>

The fair value of the Term Loan was measured using a discounted cash flows model and current market rates. The fair value of the Senior Second Lien Notes was measured using quoted prices, although the market is not a highly liquid market. The fair value of debt was classified as Level 2 within the valuation hierarchy.

NOTE 4 — ACQUISITIONS

On January 5, 2022, the Company entered into a purchase and sale agreement with ANKOR E&P Holdings Corporation and KOA Energy LP (“ANKOR”) to acquire their interests in and operatorship of certain oil and natural gas producing properties in federal shallow waters in the Gulf of Mexico at Ship Shoal 230, South Marsh Island 27/Vermilion 191, and South Marsh Island 73 fields for \$47.0 million. The transaction closed on February 1, 2022, and after normal and customary post-effective date adjustments (including net operating cash flow attributable to the properties from the effective date of July 1, 2021 to the close date), cash consideration of approximately \$30.2 million was paid to the sellers. The transaction was funded using cash on hand. The Company also assumed the related asset retirement obligations (“ARO”) associated with these assets.

Additionally, on April 1, 2022, the Company entered into a purchase and sale agreement with a private seller to acquire the remaining working interests in certain oil and natural gas producing properties in federal shallow waters of the Gulf of Mexico at the Ship Shoal 230, South Marsh Island 27/Vermilion 191, and South Marsh Island 73 fields purchased from ANKOR. The transaction had an effective date and closing date of April 1, 2022. After normal and customary post-effective date adjustments, cash consideration of approximately \$17.5 million was paid to the seller.

The Company determined that the assets acquired did not meet the definition of a business; therefore, the transactions were accounted for as asset acquisitions in accordance with ASC 805. An acquisition qualifying as an asset acquisition requires, among other items, that the cost of the assets acquired and liabilities assumed to be recognized on the Condensed Consolidated Balance Sheets by allocating the asset cost on a relative fair value basis. The fair value measurements of the oil and natural gas properties acquired and asset retirement obligations assumed were derived utilizing an income approach and based, in part, on significant inputs not observable in the market. These inputs represent Level 3 measurements in the fair value hierarchy and include, but are not limited to, estimates of reserves, future operating and development costs, future commodity prices, estimated future cash flows and appropriate discount rates. These inputs required significant judgments and estimates by the Company’s management at the time of the valuation. Transaction costs incurred on an asset acquisition are capitalized as a component of the assets acquired. The amounts recorded on the Condensed Consolidated Balance Sheet for the purchase price allocation and liabilities assumed related to the acquisitions described above on February 1, 2022, and April 1, 2022, are presented in the following tables, respectively (in thousands):

	February 1, 2022
Oil and natural gas properties and other, net	\$ 50,450
Restricted deposits for asset retirement obligations	6,196
Asset retirement obligations	(26,493)
Allocated purchase price	<u>\$ 30,153</u>

	April 1, 2022
Oil and natural gas properties and other, net	\$ 22,632
Restricted deposits for asset retirement obligations	1,549
Asset retirement obligations	(6,709)
Allocated purchase price	\$ 17,472

NOTE 5 — SUBSIDIARY BORROWERS

On May 19, 2021, the Company's wholly-owned special purpose vehicles (the "SPVs"), A-I LLC and A-II LLC or the Subsidiary Borrowers, entered into the Subsidiary Credit Agreement providing for the Term Loan in an aggregate principal amount equal to \$215.0 million. Proceeds of the Term Loan were used by the Subsidiary Borrowers to (i) fund the acquisition of the Mobile Bay Properties and the Midstream Assets from the Company and (ii) pay fees, commissions and expenses in connection with the transactions contemplated by the Subsidiary Credit Agreement and the other related loan documents, including to enter into certain swap and put derivative contracts described in more detail under Note 8 – *Derivative Financial Instruments*, of this Quarterly Report on Form 10-Q (this "Quarterly Report").

As part of the Mobile Bay Transaction, the SPVs entered into a management services agreement (the "Services Agreement") with the Company, pursuant to which the Company will provide (a) certain operational and management services for i) the Mobile Bay Properties and ii) the Midstream Assets and (b) certain corporate, general and administrative services for A-I LLC and A-II LLC (collectively in this capacity, the "Services Recipient"). Under the Services Agreement, the Company will indemnify the Services Recipient with respect to claims, losses or liabilities incurred by the Services Agreement parties that relate to personal injury or death or property damage of the Company, in each case, arising out of performance of the Services Agreement, except to the extent of the gross negligence or willful misconduct of the Services Recipient. The Services Recipient will indemnify the Company with respect to claims, losses or liabilities incurred by the Company that relate to personal injury or death of the Services Recipient or property damage of the Services Recipient, in each case, arising out of performance of the Services Agreement, except to the extent of the gross negligence or willful misconduct of the Company. The Services Agreement will terminate upon the earlier of (a) termination of the Subsidiary Credit Agreement and payment and satisfaction of all obligations thereunder or (b) the exercise of certain remedies by the secured parties under the Subsidiary Credit Agreement and the realization by such secured parties upon any of the collateral under the Subsidiary Credit Agreement.

The SPVs are wholly-owned subsidiaries of the Company; however, the assets of the SPVs will not be available to satisfy the debt or contractual obligations of any non-SPV entities, including debt securities or other contractual obligations of W&T Offshore, Inc., and the SPVs do not bear any liability for the indebtedness or other contractual obligations of any non-SPVs, and vice versa.

Consolidation and Carrying Amounts

The following table presents the amounts recorded by W&T on the Condensed Consolidated Balance Sheet related to the consolidation of the Subsidiary Borrowers and the subsidiary that owns the equity of the Subsidiary Borrowers (in thousands):

	June 30, 2022	December 31, 2021
Assets:		
Cash and cash equivalents	\$ 34,117	\$ 38,937
Receivables:		
Oil and natural gas sales	59,706	34,420
Joint interest, net	(6,413)	(10,856)
Prepaid expenses and other assets	102	356
Oil and natural gas properties and other, net	277,418	272,747
Other assets	(20,962)	(19,903)
Liabilities:		
Accounts payable	38,535	29,678
Undistributed oil and natural gas proceeds	10,591	3,144
Accrued liabilities	73,633	29,937
Current portion of long-term debt	37,199	42,960
Long-term debt, net	123,150	140,353
Asset retirement obligations	57,532	54,515
Other liabilities	80,135	42,615

The following table presents the amounts recorded by W&T in the Condensed Consolidated Statement of Operations related to the consolidation of the operations of the Subsidiary Borrowers and the subsidiary that owns the equity of the Subsidiary Borrowers (in thousands):

	Six Months Ended June 30, 2022	The period from May 19, 2021 to June 30, 2021
Total revenues	\$ 124,361	\$ 16,727
Total operating expenses	33,185	7,873
Interest expense, net	8,436	1,878
Derivative loss	132,046	42,889

NOTE 6 — JOINT VENTURE DRILLING PROGRAM

In March 2018, W&T and two other initial members formed and initially funded Monza, which jointly participates in the exploration, drilling and development of certain drilling projects (the “Joint Venture Drilling Program”) in the Gulf of Mexico. Subsequent to the initial closing, additional investors joined as members of Monza during 2018 and total commitments by all members, including W&T’s commitment to fund its retained interest in Monza projects held outside of Monza, was \$361.4 million. W&T contributed 88.94% of its working interest in certain identified undeveloped drilling projects to Monza and retained 11.06% of its working interest. The Joint Venture Drilling Program is structured so that W&T initially receives an aggregate of 30.0% of the revenues less expenses, through the direct ownership from the retained working interest in the Monza projects and the indirect interest through the interest in Monza, for contributing 20.0% of the estimated total well costs plus associated leases and providing access to available infrastructure at agreed-upon rates. Any exceptions to this structure are approved by the Monza board.

The members of Monza are third-party investors, W&T and an entity owned and controlled by Mr. Tracy W. Krohn, our Chairman and Chief Executive Officer. The Krohn entity invested as a minority investor on the same terms and conditions as the third-party investors, and its investment is limited to 4.5% of total invested capital within Monza. The entity affiliated with Mr. Krohn made a capital commitment to Monza of \$14.5 million.

Monza is an entity separate from any other entity with its own separate creditors who will be entitled, upon its liquidation, to be satisfied out of Monza's assets prior to any value in Monza becoming available to holders of its equity. The assets of Monza are not available to pay creditors of the Company and its affiliates.

Through June 30, 2022, ten wells have been completed since the inception of the Joint Venture Drilling Program. W&T is the operator for eight of the ten wells completed through June 30, 2022.

Through June 30, 2022, members of Monza made partner capital contributions, including W&T's contributions of working interest in the drilling projects, to Monza totaling \$302.4 million and received cash distributions totaling \$109.3 million. Through June 30, 2022, W&T made total capital contributions, including the contributions of working interest in the drilling projects, to Monza totaling \$68.2 million and received cash distributions totaling \$24.6 million.

Consolidation and Carrying Amounts

W&T's interest in Monza is considered to be a variable interest that is proportionally consolidated. Through June 30, 2022, there have been no events or changes that would cause a redetermination of the variable interest status. W&T does not fully consolidate Monza because the Company is not considered the primary beneficiary of Monza.

The following table presents the amounts recorded by W&T on the Condensed Consolidated Balance Sheet related to the consolidation of the proportional interest in Monza's operations (in thousands):

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Working capital	\$ 5,926	\$ 4,648
Asset retirement obligations	417	375
Other assets	12,504	2,511

Additionally, during the year ended December 31, 2021, W&T called on Monza to provide cash to fund its portion of certain Joint Venture Drilling Program projects in advance of capital expenditure spending, and the unused balances as of June 30, 2022 and December 31, 2021 were \$5.2 million and \$14.8 million, respectively, which are included in the Condensed Consolidated Balance Sheet in *Advances from joint interest partners*

The following table presents the amounts recorded by W&T in the Condensed Consolidated Statement of Operations related to the consolidation of the proportional interest in Monza's operations (in thousands):

	<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Total revenues	\$ 16,615	\$ 5,492
Total operating expenses	7,368	5,204
Derivative loss	—	1,451

NOTE 7 — ASSET RETIREMENT OBLIGATIONS

AROs represent the estimated present value of the amount incurred to plug, abandon and remediate our properties at the end of their productive lives.

A summary of the changes to ARO is as follows (in thousands):

	<u>Six Months Ended June 30,</u>	
	<u>2022</u>	
Asset retirement obligations, beginning of period	\$	424,495
Liabilities settled		(39,775)
Accretion expense		12,917
Liabilities acquired		33,202
Liabilities incurred		138
Revisions of estimated liabilities		29,792
Asset retirement obligations, end of period		460,769
Less: Current portion		(51,504)
Long-term	\$	<u>409,265</u>

NOTE 8 — DERIVATIVE FINANCIAL INSTRUMENTS

W&T's market risk exposure relates primarily to commodity prices. The Company attempts to mitigate a portion of its commodity price risk and stabilize cash flows associated with sales of oil and natural gas production through the use of oil and natural gas swaps, costless collars, sold calls and purchased puts. The Company is exposed to credit loss in the event of nonperformance by the derivative counterparties; however, the Company currently anticipates that the derivative counterparties will be able to fulfill their contractual obligations. The Company is not required to provide additional collateral to the derivative counterparties and does not require collateral from the derivative counterparties.

W&T has elected not to designate commodity derivative contracts for hedge accounting. Accordingly, commodity derivatives are recorded on the Condensed Consolidated Balance Sheets at fair value with settlements of such contracts, and changes in the unrealized fair value, recorded as *Derivative (gain) loss* on the Condensed Consolidated Statements of Operations in each period presented. The cash flows of all commodity derivative contracts are included in *Net cash provided by operating activities* on the Condensed Consolidated Statements of Cash Flows.

The crude oil contracts are based on West Texas Intermediate ("WTI") crude oil prices and the natural gas contracts are based off the Henry Hub prices, both of which are quoted off the New York Mercantile Exchange ("NYMEX").

[Table of Contents](#)

The following table reflects the contracted volumes and weighted average prices under the terms of the Company's open derivative contracts as of June 30, 2022:

Period	Instrument Type	Average Daily Volumes	Total Volumes	Weighted Strike Price	Weighted Put Price	Weighted Call Price
Crude Oil - WTI (NYMEX)		(Bbls) ⁽¹⁾	(Bbls) ⁽¹⁾	(\$/Bbls) ⁽¹⁾	(\$/Bbls) ⁽¹⁾	(\$/Bbls) ⁽¹⁾
Jul 2022 - Nov 2022	swaps	2,285	349,673	\$ 55.99	\$ —	\$ —
Jul 2022 - Nov 2022	collars	2,285	349,673	\$ —	\$ 45.38	\$ 63.98
Natural Gas - Henry Hub (NYMEX)		(MMbtu) ⁽²⁾	(MMbtu) ⁽²⁾	(\$/MMbtu) ⁽²⁾	(\$/MMbtu) ⁽²⁾	(\$/MMbtu) ⁽²⁾
Jul 2022 - Dec 2022	calls	111,048	20,432,846	\$ —	\$ —	\$ 7.48
Jan 2023 - Dec 2023	calls	70,000	25,550,000	\$ —	\$ —	\$ 7.50
Jan 2024 - Dec 2024	calls	65,000	23,790,000	\$ —	\$ —	\$ 6.13
Jan 2025 - Mar 2025	calls	62,000	5,580,000	\$ —	\$ —	\$ 5.50
Jul 2022 - Dec 2022	collars	40,000	7,360,000	\$ —	\$ 1.83	\$ 3.00
Jul 2022 - Nov 2022	swaps	17,401	2,662,290	\$ 2.50	\$ —	\$ —
Jul 2022 - Dec 2022 ⁽³⁾	swaps	78,261	14,400,000	\$ 2.58	\$ —	\$ —
Jan 2023 - Dec 2023 ⁽³⁾	swaps	72,329	26,400,000	\$ 2.48	\$ —	\$ —
Jan 2024 - Dec 2024 ⁽³⁾	swaps	65,574	24,000,000	\$ 2.46	\$ —	\$ —
Jan 2025 - Mar 2025 ⁽³⁾	swaps	63,333	5,700,000	\$ 2.72	\$ —	\$ —
Apr 2025 - Dec 2025 ⁽³⁾	puts	62,182	17,100,000	\$ —	\$ 2.27	\$ —
Jan 2026 - Dec 2026 ⁽³⁾	puts	55,890	20,400,000	\$ —	\$ 2.35	\$ —
Jan 2027 - Dec 2027 ⁽³⁾	puts	52,603	19,200,000	\$ —	\$ 2.37	\$ —
Jan 2028 - Apr 2028 ⁽³⁾	puts	49,587	6,000,000	\$ —	\$ 2.50	\$ —

(1) Bbls – Barrels

(2) MMBtu – Million British Thermal Units

(3) These contracts were entered into by the Company's wholly owned subsidiary, A-I LLC, in conjunction with the Term Loan (see Note 5 – *Subsidiary Borrowers*).

Financial Statement Presentation

The following fair value of derivative financial instruments amounts were recorded in the Condensed Consolidated Balance Sheets (in thousands):

	June 30, 2022	December 31, 2021
Prepaid expenses and other current assets	\$ 25,820	\$ 21,086
Other assets (long-term)	26,509	34,435
Accrued liabilities	135,963	81,456
Other liabilities (long-term)	75,550	37,989

[Table of Contents](#)

Although the Company has master netting arrangements with its counterparties, the amounts recorded on the Condensed Consolidated Balance Sheets are on a gross basis.

Changes in the fair value and settlements of contracts are recorded on the Condensed Consolidated Statements of Operations as *Derivative (gain) loss*. The impact of commodity derivative contracts on the Condensed Consolidated Statements of Operations were as follows (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Realized (gain) loss ⁽¹⁾	\$ (79,667)	\$ 15,357	\$ (35,973)	\$ 23,602
Unrealized loss	70,813	66,083	107,116	82,418
Derivative (gain) loss	<u>\$ (8,854)</u>	<u>\$ 81,440</u>	<u>\$ 71,143</u>	<u>\$ 106,020</u>

- (1) The three and six months ended June 30, 2022 includes the effect of the \$138.0 million realized gain related to the monetization of certain natural gas call contracts through restructuring of strike prices.

Cash payments on commodity derivative contract settlements, net, are included within *Net cash provided by operating activities* on the Condensed Consolidated Statements of Cash Flows and were as follows (in thousands):

	<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Derivative loss	\$ 71,143	\$ 106,020
Derivative cash receipts (payments), net ⁽¹⁾	70,227	(41,130)
Derivative cash premium payments	(46,111)	—

- (1) The six months ended June 30, 2022 includes \$105.3 million of net cash receipts related to the monetization of certain natural gas call contracts through restructuring of strike prices.

NOTE 9 — SHARE-BASED AWARDS AND CASH BASED AWARDS

The W&T Offshore, Inc. Amended and Restated Incentive Compensation Plan (as amended from time to time, the “Plan”) was approved by the Company’s shareholders in 2010. Under the Plan, the Company may issue, subject to the approval of the Board of Directors, stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents, other stock-based awards, performance units or shares, cash awards, substitute awards or any combination of the foregoing to employees, directors and consultants.

Share-Based Awards to Employees

Restricted Stock Units (“RSUs”) – During the six months ended June 30, 2022, the Company granted RSUs under the Plan to certain employees. RSUs currently outstanding relate to the 2022 and 2021 grants. The 2022 RSUs granted are a long-term compensation component, subject to service conditions, with one-third of the award vesting each year on January 1, 2023, 2024, and 2025, respectively.

A summary of activity related to RSUs during the six months ended June 30, 2022 is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Unit
Nonvested, beginning of period	698,465	\$ 4.71
Granted ⁽¹⁾	955,296	6.28
Vested	(379,262)	5.21
Forfeited	(56,660)	5.01
Nonvested, end of period	<u>1,217,839</u>	<u>5.77</u>

- (1) During May and June 2022, approximately 22,000 outstanding RSUs awarded in 2021 to two individuals retiring from their employment with the Company were modified to fully vest upon their retirement, which occurred during May and June 2022, respectively. The remaining unrecognized grant date fair value of the original RSUs was recognized over the requisite period. The incremental cost due to the modification was not materially different from the grant date fair value.

Performance Share Units (“PSUs”) – During the six months ended June 30, 2022, the Company granted PSUs under the Plan that are eligible to vest based on continued employment and the Company’s total shareholder return (“TSR”) ranking against peer companies’ TSR over a three-year performance period, which ends on December 31, 2024.

The 2021 grants were subject to performance criteria against the applicable performance period, which ended on December 31, 2021. The PSUs granted during 2021 are eligible to vest based on continued employment through October 1, 2023.

A summary of activity related to PSUs during the six months ended June 30, 2022 is as follows:

	Performance Share Units	Weighted Average Grant Date Fair Value Per Unit
Nonvested, beginning of period	196,918	\$ 5.55
Granted ⁽¹⁾	1,350,543	10.34
Vested	(13,648)	5.57
Forfeited	(46,410)	8.39
Nonvested, end of period	<u>1,487,403</u>	9.81

(1) During May and June 2022, approximately 10,000 outstanding PSUs awarded in 2021 to two individuals retiring from their employment with the Company were modified to fully vest upon their retirement, which occurred during May and June 2022, respectively. The remaining unrecognized grant date fair value of the original RSUs was recognized over the requisite period. The incremental cost due to the modification was not materially different from the grant date fair value.

The following table summarizes the assumptions used in the Monte Carlo simulations to calculate the fair value of the absolute TSR PSUs granted at the date indicated:

	May 26, 2022
Expected term for performance period (in years)	2.6
Expected volatility	84.4 %
Risk-free interest rate	2.5 %
Fair value (in thousands)	\$ 13,697

Share-Based Awards to Non-Employee Directors

During the six months ended June 30, 2022, the Company granted Restricted Shares under the W&T Offshore, Inc. 2004 Directors Compensation Plan to non-employee directors. The Restricted Shares are subject to service conditions and vesting occurs at the end of specified service periods unless otherwise approved by the Board of Directors.

A summary of activity related to Restricted Shares during the six months ended June 30, 2022 is as follows:

	Restricted Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested, beginning of period	70,226	\$ 3.65
Granted	42,426	4.95
Vested	(70,226)	3.65
Nonvested, end of period	<u>42,426</u>	\$ 4.95

Share-Based Compensation Expense

Compensation costs for share-based payments is recognized over the requisite service period. Share-based compensation expense is recorded in the line *General and administrative expenses* in the Condensed Consolidated Statements of Operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Restricted stock units	\$ 1,360	\$ 339	\$ 1,610	\$ 676
Performance share units	598	—	803	—
Restricted Shares	56	128	121	245
Total	<u>\$ 2,014</u>	<u>\$ 467</u>	<u>\$ 2,534</u>	<u>\$ 921</u>

Cash-Based Incentive Compensation

In addition to share-based compensation, short-term cash-based incentive awards were granted under the Plan to all eligible employees during the second quarter of 2022 subject to Company performance criteria, individual performance criteria, and continued employment through the payment date. The short-term cash-based incentive awards granted in 2021 were paid in March 2022.

Share-Based Awards and Cash-Based Awards Compensation Expense

A summary of compensation expense related to share-based awards and cash-based awards is as follows (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Share-based compensation included in:				
General and administrative expenses	\$ 2,014	\$ 467	\$ 2,534	\$ 921
Cash-based incentive compensation included in:				
Lease operating expense ⁽¹⁾	206	816	462	1,655
General and administrative expenses ⁽¹⁾	646	2,676	2,603	5,359
Total charged to operating (loss) income	<u>\$ 2,866</u>	<u>\$ 3,959</u>	<u>\$ 5,599</u>	<u>\$ 7,935</u>

(1) Includes adjustments of accruals to actual payments.

NOTE 10 — INCOME TAXES**Tax Benefit and Tax Rate**

For the three months ended June 30, 2022, the Company recognized income tax expense of \$1.1 million for an effective tax rate of 20.1%. For the three months ended June 30, 2021, the Company recognized income tax benefit of \$2.7 million for an effective tax rate of 19.8%.

For the six months ended June 30, 2022, the Company recognized income tax expense of \$0.4 million for an effective tax rate of 20.1%. For the six months ended June 30, 2021, the Company recognized income tax benefit of \$2.9 million for an effective tax rate of 19.8%.

For the three and six months ended June 30, 2022 and 2021, the Company's effective tax rate differed from the statutory Federal tax rate primarily by the impact of state income taxes and adjustments to our valuation allowance.

Valuation Allowance

Deferred tax assets are recorded related to net operating losses and temporary differences between the book and tax basis of assets and liabilities expected to produce tax deductions in future periods. The realization of these assets depends on recognition of sufficient future taxable income in specific tax jurisdictions in which those temporary differences or net operating losses are deductible. In assessing the need for a valuation allowance on deferred tax assets, the Company considers whether it is more likely than not that some portion or all of them will not be realized.

As of June 30, 2022 and December 31, 2021, the valuation allowance was \$5.7 million and \$24.4 million, respectively, and relates primarily to state net operating losses and the disallowed interest expense limitation carryover.

Income Taxes Receivable, Refunds and Payments

As of June 30, 2022 and December 31, 2021, the Company did not have any outstanding current income taxes receivable. During the six months ended June 30, 2022 and June 30, 2021, the Company did not receive any income tax refunds or make any income tax payments of significance.

The tax years 2018 through 2021 remain open to examination by the tax jurisdictions to which the Company is subject.

NOTE 11 — EARNINGS PER SHARE

The following table presents the calculation of basic and diluted (loss) earnings per common share (in thousands, except per share amounts):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income (loss)	\$ 123,436	\$ (51,672)	\$ 120,979	\$ (52,418)
Less portion allocated to nonvested shares	—	—	—	—
Net loss allocated to common shares	<u>\$ 123,436</u>	<u>\$ (51,672)</u>	<u>\$ 120,979</u>	<u>\$ (52,418)</u>
Weighted average common shares outstanding - basic	143,020	142,244	142,981	142,197
Dilutive effect of securities	1,505	—	1,113	—
Weighted average common shares outstanding - diluted	<u>144,525</u>	<u>142,244</u>	<u>144,094</u>	<u>142,197</u>
Earnings per common share:				
Basic	\$ 0.86	\$ (0.36)	\$ 0.85	\$ (0.37)
Diluted	0.85	(0.36)	0.84	(0.37)
Shares excluded due to being anti-dilutive (weighted-average)	—	880	—	899

NOTE 12 — CONTINGENCIES

Appeal with the Office of Natural Resources Revenue (“ONRR”) – In 2009, W&T recognized allowable reductions of cash payments for royalties owed to the ONRR for transportation of their deepwater production through subsea pipeline systems owned by the Company. In 2010, the ONRR audited calculations and support related to this usage fee, and in 2010 ONRR notified the Company that they had disallowed approximately \$4.7 million of the reductions taken. The Company recorded a reduction to other revenue in 2010 to reflect this disallowance with the offset to a liability reserve; however, the Company disagrees with the position taken by the ONRR. W&T filed an appeal with the ONRR, which ultimately led to the Company posting a bond in the amount of \$7.2 million and cash collateral of \$6.9 million with the surety in order to appeal the Interior Board of Land Appeals decision. The cash collateral held by the surety was subsequently returned to the Company during the first quarter of 2020. The Company has continued to pursue its legal rights and, at present, the case is in front of the U.S. District Court for the Eastern District of Louisiana where both parties have filed cross-motions for summary judgment and opposition briefs. W&T has filed a Reply in support of its Motion for Summary Judgment and the government has in turn filed its Reply brief. With briefing now completed, the Company is waiting for the district court’s ruling on the merits. In compliance with the ONRR’s request for W&T to periodically increase the surety posted in the appeal to cover pre- and post-judgement interest, the sum of the bond posted is \$8.2 million as of June 30, 2022.

Notices of Proposed Civil Penalty Assessments –In January 2021, W&T executed a Settlement Agreement with the Bureau of Safety and Environmental Enforcement (“BSEE”) which resolved nine pending civil penalties issued by BSEE. The civil penalties pertained to Incidents of Non-Compliance issued by BSEE alleging regulatory non-compliance at separate offshore locations on various dates between July 2012 and January 2018, with the proposed civil penalty amounts totaling \$7.7 million. Under the Settlement Agreement, W&T will pay a total of \$720,000 in three annual installments. The first and second installments were paid in March 2021 and March 2022, respectively. In addition, W&T committed to implement a Safety Improvement Plan with various deliverables due over a period ending in 2022, which is on schedule to be completed before the deadline.

Retained Liabilities Related to Divested Property Interests –The Company may be subject to retained liabilities with respect to certain divested property interests by operation of law. For example, recent historical declines in commodity prices created an environment where there is an increased risk that owners and/or operators of interests purchased from the Company may no longer be able to satisfy plugging or abandonment obligations that attach to those interests. In that event, due to operation of law, W&T may be required to assume plugging or abandonment obligations for those interests. During 2021, as a result of the declaration of bankruptcy by a third party that is the indirect successor in title to certain offshore interests that were previously divested by the Company, W&T recorded a loss contingency accrual of \$4.5 million related to the anticipated cost to decommission certain wells, pipelines, and production facilities for which the Company may receive decommissioning orders from BSEE. W&T no longer owns these assets nor are they related to current operations. W&T intends to seek contribution from other parties that owned an interest in the facilities. During the six-months ended June 30, 2022, an additional loss contingency accrual of \$0.5 million was recognized related to divested property interests.

Other Claims – W&T is a party to various pending or threatened claims and complaints seeking damages or other remedies concerning commercial operations and other matters in the ordinary course of our business. In addition, claims or contingencies may arise related to matters occurring prior to the Company’s acquisition of properties or related to matters occurring subsequent to our sale of properties. In certain cases, W&T has indemnified the sellers of properties acquired, and in other cases, W&T has indemnified the buyers of properties sold. The Company is also subject to federal and state administrative proceedings conducted in the ordinary course of business including matters related to alleged royalty underpayments on certain federal-owned properties. Although W&T can give no assurance about the outcome of pending legal and federal or state administrative proceedings and the effect such an outcome may have, the Company believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on the consolidated financial position, results of operations or liquidity.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our unaudited Condensed Consolidated Financial Statements and the notes to those financial statements included in Part I, Item 1 of this Quarterly Report, as well as our audited Consolidated Financial Statements and the notes thereto in our 2021 Annual Report and the Related Management’s Discussion and Analysis of Financial Condition and the Results of Operations included in Part II, Item 7 of our 2021 Annual Report.

Forward-Looking Statements

The information in this report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact included in this report, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “forecast,” “may,” “objective,” “plan,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events.

These forward-looking statements are subject to risks, uncertainties and assumptions, most of which are difficult to predict and many of which are beyond our control. If the risks or uncertainties materialize or the assumptions prove incorrect, our results may differ materially from those expressed or implied by such forward-looking statements and assumptions. These statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, estimates, expected future developments and other factors we believe are appropriate in the circumstances. Known material risks that may affect our financial condition and results of operations are discussed in Part I, Item 1A, *Risk Factors*, and market risks are discussed in Part II, Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, of our 2021 Annual Report, and may be discussed or updated from time to time in subsequent reports filed with the SEC.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. Should one or more of the risks or uncertainties described herein occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. All forward-looking statements, expressed or implied, included in this report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report.

Overview

We are an independent oil and natural gas producer, active in the exploration, development and acquisition of oil and natural gas properties in the Gulf of Mexico. As of June 30, 2022, we hold working interests in 47 offshore fields in federal and state waters (44 fields producing and 3 fields capable of producing, which include 39 fields in federal waters and 8 in state waters). We currently have under lease approximately 637,000 gross acres (453,200 net acres) spanning across the outer continental shelf (“OCS”) off the coasts of Louisiana, Texas, Mississippi and Alabama, with approximately 8,000 gross acres in Alabama State waters, 454,000 gross acres on the conventional shelf and approximately 175,000 gross acres in the deepwater. A majority of our daily production is derived from wells we operate. Our interests in fields, leases, structures and equipment are primarily owned by W&T Offshore, Inc. and our wholly-owned subsidiaries, Aquasition LLC, Aquasition II LLC, W & T Energy VI, LLC, Delaware limited liability companies, and through our proportionately consolidated interest in Monza, as described in more detail in *Financial Statements – Note 6 – Joint Venture Drilling Program* under Part I, Item 1 in this Quarterly Report.

Known Trends and Uncertainties

Volatility in Oil, NGL and Natural Gas Prices –Our financial condition, cash flow and results of operations are significantly affected by the volume of our crude oil, NGLs and natural gas production and the prices that we receive for such production. Our realized sales prices received for our crude oil, NGLs and natural gas production are affected by many factors outside of our control, including changes in market supply and demand, which are impacted by weather conditions, pipeline capacity constraints, inventory storage levels, domestic production activities and political issues, and international geopolitical and economic events.

In addition to such industry-specific risks, the global public health crisis associated with COVID-19 has created uncertainty for global economic activity since March 2020. Since 2021, increased mobility, deployment of vaccines and other factors have resulted in increased oil demand and commodity prices. However, new variants of the virus continue to emerge and it is difficult to assess if such variants will cause meaningful disruptions in economic activity across the world and if there will be any significant impacts in demand for energy because of the ongoing pandemic.

Most recently, WTI crude oil prices and NYMEX Henry Hub natural gas prices have surged, closing the second quarter at over \$100 per barrel and \$6.50 per Mcf, respectively, as a result of the ongoing Russia-Ukraine conflict and related sanctions and concerns that it might result in significant oil and gas supply shortages. In response, governmental authorities have implemented, and are expected to continue to implement, measures to address rising crude oil prices, including releasing emergency oil reserves. Additionally, while Organization of Petroleum Exporting Countries (“OPEC”) and Russia (together with OPEC, collectively “OPEC+”) remained committed to steady and predictable production increases throughout 2022, it is difficult to determine whether it will change its production output policy or whether its members will remain committed to the production quotas set by the organization as a result of these events.

Higher energy prices, along with the global supply chain issues and other factors, have increased inflationary pressures, which has led or may lead to increased costs of services and certain materials necessary for our operations. As a result of these factors, we cannot accurately predict future commodity prices and, therefore, we cannot determine with any degree of certainty what effect increases or decreases in these prices will have on our drilling program, production volumes or revenues.

Per the Energy Information Administration, average crude oil prices using the WTI daily spot price increased to \$102.01 per barrel during the six months ended June 30, 2022 compared to \$62.21 per barrel during the six months ended June 30, 2021 (64.0% increase). The NYMEX Henry Hub average daily natural gas spot price increased to \$6.08 per Mcf for the six months ended June 30, 2022 compared to \$3.22 per Mcf during the six months ended June 30, 2021 (88.8% increase). These increases were primarily caused by increased demand related to supply uncertainties due to Russia’s invasion of Ukraine and general expanding economic activity.

Bureau of Ocean Energy Management (“BOEM”) Matters –In order to cover the various decommissioning obligations of lessees on the OCS, the BOEM generally requires that lessees post some form of acceptable financial assurance that such obligations will be met, such as surety bonds. The cost of such bonds or other financial assurance can be substantial, and we can provide no assurance that we can continue to obtain bonds or other surety in all cases. As many BOEM regulations are being reviewed by the Department of the Interior, we may be subject to additional financial assurance requirements in the future. As of the filing date of this Form 10-Q, we are in compliance with our financial assurance obligations to the BOEM and have no outstanding BOEM orders related to supplemental financial assurance obligations. We and other offshore Gulf of Mexico producers may, in the ordinary course of business, receive requests or demands in the future for financial assurances from the BOEM.

Surety Bond Collateral – Some of the sureties that provide us surety bonds used for supplemental financial assurance purposes or bonds associated with our appeals of Department of the Interior’s orders or demands have on occasion requested and received collateral from us, and may request additional collateral from us in the future, which could be significant and materially impact our liquidity. In addition, pursuant to the terms of our agreements with various sureties under our existing bonds or under any additional bonds we may obtain, we are required to post collateral at any time, on demand, at the surety’s discretion. No additional demands were made to us by sureties during 2022 as of the filing date of this Form 10-Q and we currently do not have surety bond collateral outstanding. The issuance of any additional surety bonds or other security to satisfy future BOEM orders, collateral requests from surety bond providers, and collateral requests from other third parties may require the posting of cash collateral, which may be significant, and may require the creation of escrow accounts.

Results of Operations

Three Months Ended June 30, 2022 Compared to the Three Months Ended June 30, 2021

Revenues

Our revenues are derived from the sale of our oil and natural gas production, as well as the sale of NGLs. Our oil, natural gas and NGL revenues do not include the effects of derivatives, which are reported in *Derivative (gain) loss* in our Condensed Consolidated Statements of Operations. The following table presents our sources of revenue as a percentage of total revenue:

	Three Months Ended June 30,			
	2022		2021	
Oil	58.1	%	66.3	%
NGLs	6.1	%	6.6	%
Natural gas	33.8	%	24.5	%
Other	2.0	%	2.6	%

The information below provides a discussion of, and an analysis of significant variance in, our oil, natural gas and NGL revenues, production volumes and realized sales prices (which exclude the effect of hedging unless otherwise stated) for the three months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		
	2022	2021	Change
(In thousands, except realized sales price data)			
Revenues:			
Oil	\$ 159,264	\$ 88,013	\$ 71,251
NGLs	16,735	8,833	7,902
Natural gas	92,413	32,470	59,943
Other	5,396	3,512	1,884
Total revenues	273,808	132,828	140,980
Production Volumes:			
Oil (MBbls)	1,476	1,352	124
NGLs (MBbls)	384	337	47
Natural gas (MMcf)	11,995	12,189	(194)
Total oil equivalent (MBoe)	3,859	3,721	138
Average daily equivalent sales (Boe/day)	42,407	40,888	1,518
Average realized sales prices:			
Oil (\$/Bbl)	\$ 107.90	\$ 65.11	42.79
NGLs (\$/Bbl)	43.58	26.18	17.40
Natural gas (\$/Mcf)	7.70	2.66	5.04
Oil equivalent (\$/Boe)	69.55	34.75	34.80
Oil equivalent (\$/Boe), including realized commodity derivatives	90.20	30.63	59.57

Volume measurements not previously defined:

MBbls — thousand barrels for crude oil, condensate or NGLs

MBoe — thousand barrels of oil equivalent

Mcf — thousand cubic feet

MMcf — million cubic feet

Changes in average sales prices (which does not give effect to hedging) and sales volumes caused the following changes to our oil, NGL and natural gas revenues between the three months ended June 30, 2022 and 2021 (in thousands):

	Price	Volume	Total
Oil	\$ 63,171	\$ 8,080	\$ 71,251
NGLs	60,462	(519)	59,943
Natural gas	6,794	1,108	7,902
	<u>\$ 130,427</u>	<u>\$ 8,669</u>	<u>\$ 139,096</u>

Realized Prices on the Sale of Oil, NGLs and Natural Gas – Our average realized crude oil sales price differs from the WTI benchmark average crude price due primarily to premiums or discounts, crude oil quality adjustments, and volume weighting (collectively referred to as differentials). Crude oil quality adjustments can vary significantly by field as a result of quality and location. All of our crude oil is produced offshore in the Gulf of Mexico and is primarily characterized as Poseidon, Light Louisiana Sweet (“LLS”), and Heavy Louisiana Sweet (“HLS”). Similar to crude oil prices, the differentials for our offshore crude oil have also been volatile in the past. The monthly average differentials of WTI versus Poseidon, HLS and LLS for the three months ended June 30, 2022 declined on average by approximately \$2.20, \$0.79, and \$0.19 per barrel, respectively, compared to 2021 for these types of crude oil, with the Poseidon having negative differentials as measured on an index basis and HLS and LLS having positive differentials.

Two major components of our NGLs, ethane and propane, typically make up over 70% of an average NGL barrel. For the three months ended June 30, 2022 compared to the three months ended June 30, 2021, average prices for domestic ethane increased by 126.6% and average domestic propane prices increased by 128.0% as measured using a price index for Mount Belvieu. The average prices for other domestic NGLs components increased between 42.3% and 71.7% for the three months ended June 30, 2022 compared to the same period in 2021. We believe the change in prices for NGLs is mostly a function of the change in crude oil prices combined with changes in propane supply and demand.

The actual prices we realize from the sale of natural gas differ from the quoted NYMEX Henry Hub price as a result of quality and location differentials. The sales points of our gas production are generally within close proximity to the Henry Hub which creates a minimal differential in the prices we receive for our production versus average Henry Hub prices.

Oil, NGLs, and Natural Gas Volumes – Production volumes increased by 138 MBoe to 3,859 MBoe in the three months ended June 30, 2022 compared to the same period in 2021, primarily due the acquisition of the Ship Shoal 230, South Marsh Island 27/Vermilion 191, and South Marsh Island 73 fields. See *Financial Statements – Note 4 – Acquisitions* under Part I, Item 1 of this Quarterly Report for additional information. These increases were partially offset by natural declines of producing wells and shut-ins related to scheduled well maintenance.

Operating Expenses

The following table presents information regarding costs and expenses and selected average costs and expenses per Boe sold for the periods presented and corresponding changes:

	Three Months Ended June 30,		
	2022	2021	Change
Operating expenses:			
Lease operating expenses	\$ 52,976	\$ 47,552	\$ 5,424
Gathering, transportation and production taxes	9,181	6,780	2,401
Depreciation, depletion, amortization and accretion	34,360	30,952	3,408
General and administrative expenses	14,967	13,986	981
Total operating expenses	\$ 111,484	\$ 99,270	\$ 12,214
Average per Boe (\$/Boe):			
Lease operating expenses	\$ 13.73	\$ 12.78	\$ 0.95
Gathering, transportation and production taxes	2.38	1.82	0.56
DD&A	8.90	8.32	0.58
G&A expenses	3.88	3.76	0.12
Operating expenses	\$ 28.89	\$ 26.68	\$ 2.21

Lease operating expenses – Lease operating expenses, which include base lease operating expenses, workovers, and facilities maintenance expense, increased \$5.4 million to \$53.0 million for the three months ended June 30, 2022 compared to \$47.6 million for the three months ended June 30, 2021. On a component basis, base lease operating expenses increased \$2.2 million, workover expenses increased \$0.7 million, facilities maintenance expense increased \$3.6 million, and hurricane repairs decreased \$1.1 million.

Base lease operating expenses increased primarily due to increased expenses related to the Ship Shoal 230, South Marsh Island 27/Vermilion 191, and South Marsh Island 73 fields acquired, partially offset by decreased contract labor and supplies at various fields. The increases in workover expenses and facilities maintenance expense were due to an increase in projects undertaken. Workovers and facilities maintenance expenses consist of costs associated with major remedial operations on completed wells to restore, maintain or improve production. Since these remedial operations are not regularly scheduled, workover and maintenance expense are not necessarily comparable from period to period. Lastly, during the three months ended June 30, 2021 we incurred \$1.1 million in expenses related to repairs associated with hurricanes that we did not incur during the three months ended June 30, 2022.

Gathering, transportation and production taxes – Gathering, transportation and production taxes increased \$2.4 million in the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to the increase in realized natural gas prices and increased NGL prices in the three months ended June 30, 2022 as compared to the comparable prior year period.

Depreciation, depletion, amortization and accretion (“DD&A”) – DD&A, which includes accretion for ARO, increased to \$8.90 per Boe for the three months ended June 30, 2022 from \$8.32 per Boe for the three months ended June 30, 2021. On a nominal basis, DD&A increased 11.0%, or \$3.4 million for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 due to an increased DD&A per Boe rate and, to a lesser extent, the increase in production volumes. The DD&A rate per Boe increased mostly as a result of increases in the capital expenditures and future development costs included in the depreciable base associated with an increase in economic proved undeveloped wells due to higher oil and gas prices compared to the smaller increase in proved reserves over the comparable prior year period.

General and administrative expenses (“G&A”) – G&A increased \$1.0 million, to \$15.0 million for the three months ended June 30, 2022 as compared to \$14.0 million for the three months ended June 30, 2021. The increase was primarily due to the increase in allowance for credit losses recorded during the three months ended June 30, 2022 and the increase in share based compensation expense as compared to the prior year quarter.

Other Income and Expense

The following table presents the components of other income and expense for the periods presented and corresponding changes:

	Three Months Ended June 30,		
	2022	2021	Change
Other income and expenses:			
Derivative (gain) loss	\$ (8,854)	\$ 81,440	\$ (90,294)
Interest expense, net	18,183	16,530	1,653
Other income, net	(1,534)	—	(1,534)
Income tax expense (benefit)	31,093	(12,740)	43,833

Derivative (gain) loss – During the three months ended June 30, 2022, the \$8.9 million derivative gain recorded for crude oil and natural gas derivative contracts consists of \$79.7 million of realized gains and \$70.8 million of unrealized losses, net from the decrease in the fair value of open contracts. During the three months ended June 30, 2021, the \$81.4 million derivative loss recorded for crude oil and natural gas derivative contracts consisted of \$15.3 million in realized losses and \$66.1 million of unrealized losses from the decrease in the fair value of open oil and natural gas contracts.

In the second quarter of 2022, the Company monetized a portion of existing hedge positions through restructuring of strike prices on certain outstanding purchased calls covering the second half of 2022 through the first quarter of 2025. This transaction resulted in net cash proceeds of \$105.3 million. As part of this monetization, the Company restructured its purchased call options on natural gas to increase the weighted-average strike price to \$7.48 per Mmbtu from \$3.78 per Mmbtu for the remainder of 2022, \$7.50 per Mmbtu from \$3.50 per Mmbtu for 2023, \$6.13 per Mmbtu from \$3.50 per Mmbtu for 2024, and \$5.50 per Mmbtu from \$3.50 per Mmbtu for the first quarter of 2025. These calls cover approximately 85% of its anticipated natural gas production for the balance of 2022.

Unrealized gains or losses on open derivative contracts relate to production for future periods; however, changes in the fair value of all of our open derivative contracts are recorded as a gain or loss on our Condensed Consolidated Statements of Operations at the end of each month. As a result of the derivative contracts we have on our anticipated production volumes through April 2028, we expect these activities to continue to impact net income (loss) based on fluctuations in market prices for oil and natural gas. See *Financial Statements – Note 8 – Derivative Financial Instruments* under Part I, Item 1 of this Quarterly Report for additional information.

Interest expense, net – Interest expense, net, was \$18.2 million and \$16.5 million for the three months ended June 30, 2022 and 2021, respectively. The increase of \$1.7 million in 2022 is primarily due to a full three months of interest expense on the principal balance of the Term Loan entered into in May 2021.

Other income, net – During the three months ended June 30, 2022, other income, net, consists of non-recurring adjustments partially offset by expenses for additional contingent abandonment obligations pertaining to certain of legacy Gulf of Mexico properties. See *Financial Statements– Note 12 – Contingencies* under Part I, Item 1 of this Quarterly Report for additional information.

Income tax expense (benefit) – Our income tax expense for the three months ended June 30, 2022 was \$31.1 million compared to income tax benefit of \$12.7 million during the three months ended June 30, 2021. For the three months ended June 30, 2022 and 2021, our income tax benefit differed from the statutory Federal tax rate primarily by the impact of state income taxes and adjustments to our valuation allowance. Our effective tax rate was 20.1% and 19.8% for the three months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, the valuation allowance on our deferred tax assets was \$15.7 million. We continually evaluate the need to maintain a valuation allowance on our deferred tax assets. Any future reduction of a portion or all of the valuation allowance would result in a non-cash income tax benefit in the period the decision occurs. See *Financial Statements – Note 10 –Income Taxes* under Part I, Item 1 of this Quarterly Report for additional information.

Six Months Ended June 30, 2022 Compared to the Six Months Ended June 30, 2021

Revenues

Our revenues are derived from the sale of our oil and natural gas production, as well as the sale of NGLs. Our oil, natural gas and NGL revenues do not include the effects of derivatives, which are reported in “Derivative (gain) loss” in our Condensed Consolidated Statements of Operations. The following table presents our sources of revenue as a percentage of total revenue:

	Six Months Ended June 30,			
	2022		2021	
Oil	60.7	%	64.3	%
NGLs	6.6	%	7.0	%
Natural gas	30.9	%	26.6	%
Other	1.8	%	2.1	%

The information below provides a discussion of, and an analysis of significant variance in, our oil, natural gas and NGL revenues, production volumes and realized sales prices (which exclude the effect of hedging unless otherwise stated) for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,		
	2022	2021	Change
Revenues:			
Oil	\$ 281,966	\$ 166,153	\$ 115,813
NGLs	30,555	18,193	12,362
Natural gas	143,779	68,679	75,100
Other	8,512	5,451	3,061
Total revenues	<u>\$ 464,812</u>	<u>\$ 258,476</u>	<u>\$ 206,336</u>
Production Volumes:			
Oil (MBbls)	2,780	2,729	51
NGLs (MBbls)	733	729	4
Natural gas (MMcf)	22,466	22,988	(522)
Total oil equivalent (MBoe)	7,257	7,290	(33)
Average daily equivalent sales (Boe/day)	40,094	40,278	(184)
Average realized sales prices:			
Oil (\$/Bbl)	\$ 101.43	\$ 60.88	\$ 40.54
NGLs (\$/Bbl)	41.68	24.94	16.75
Natural gas (\$/Mcf)	6.40	2.99	3.41
Oil equivalent (\$/Boe)	62.88	34.71	28.17
Oil equivalent (\$/Boe), including realized commodity derivatives	67.83	31.47	36.36

Changes in average sales prices (which does not give effect to hedging) and sales volumes caused the following changes to our oil, NGL and natural gas revenues between the six months ended June 30, 2022 and 2021 (in thousands):

	Price	Volume	Total
Oil	\$ 112,706	\$ 3,107	\$ 115,813
NGLs	12,380	(18)	12,362
Natural gas	76,660	(1,560)	75,100
	<u>\$ 201,746</u>	<u>\$ 1,529</u>	<u>\$ 203,275</u>

Realized Prices on the Sale of Oil, NGLs and Natural Gas – The monthly average differentials of WTI versus Poseidon, HLS and LLS for the six months ended June 30, 2022 declined on average by approximately \$2.08, \$0.53, and \$0.02 per barrel, respectively, compared to 2021 for these types of crude oil, with the Poseidon having negative differentials as measured on an index basis and HLS and LLS having positive differentials. Similar to crude oil prices, the differentials for our offshore crude oil have also experienced volatility in the past.

For the six months ended June 30, 2022 compared to the six months ended June 30, 2021, average prices for domestic ethane increased by 98.2% and average domestic propane prices increased by 43.6% as measured using a price index for Mount Belvieu. The average prices for other domestic NGLs components increased between 56.7% and 72.1% for the six months ended June 30, 2022 compared to the same period in 2021. We believe the change in prices for NGLs is mostly a function of the change in crude oil prices combined with changes in propane supply and demand.

The actual prices we realize from the sale of natural gas differ from the quoted NYMEX Henry Hub price as a result of quality and location differentials. The sales points of our gas production are generally within close proximity to the Henry Hub which creates a minimal differential in the prices we receive for our production versus average Henry Hub prices.

Oil, NGLs, and Natural Gas Volumes – Production volumes in the six months ended June 30, 2022 were relatively flat compared to production volumes for the six months ended June 30, 2021. The increase in production volumes due to the acquisition of the Ship Shoal 230, South Marsh Island 27/Vermilion 191, and South Marsh Island 73 fields was offset by natural declines of producing wells and shut-ins related to scheduled well maintenance.

Operating Expenses

The following table presents information regarding costs and expenses and selected average costs and expenses per Boe sold for the periods presented and corresponding changes:

	Six Months Ended June 30,		
	2022	2021	Change
(In thousands, except per Boe data)			
Operating expenses:			
Lease operating expenses	\$ 96,387	\$ 89,909	\$ 6,478
Gathering, transportation and production taxes	14,448	13,095	1,353
Depreciation, depletion, amortization and accretion	65,271	57,589	7,682
General and administrative expenses	28,743	24,698	4,045
Total operating expenses	\$ 204,849	\$ 185,291	\$ 19,558
Average per Boe (\$/Boe):			
Lease operating expenses	\$ 13.28	\$ 12.33	\$ 0.95
Gathering, transportation and production taxes	1.99	1.79	0.20
DD&A	8.99	7.90	1.09
G&A expenses	3.96	3.39	0.57
Operating expenses	\$ 28.22	\$ 25.41	\$ 2.81

Lease operating expenses – Lease operating expenses, which include base lease operating expenses, workovers, and facilities maintenance expense, increased \$6.5 million to \$96.4 million for the six months ended June 30, 2022 compared to \$89.9 million for the six months ended June 30, 2021. On a component basis, base lease operating expenses increased \$1.8 million, workover expenses increased \$3.3 million, facilities maintenance expense increased \$4.8 million, and hurricane repairs decreased \$3.4 million.

Base lease operating expenses increased primarily due to increased expenses related to the Ship Shoal 230, South Marsh Island 27/Vermilion 191, and South Marsh Island 73 fields acquired, partially offset by decreased contract labor and supplies at various fields. The increases in workover expenses and facilities maintenance expense were due to an increase in projects undertaken. Workovers and facilities maintenance expenses consist of costs associated with major remedial operations on completed wells to restore, maintain or improve production. Since these remedial operations are not regularly scheduled, workover and maintenance expense are not necessarily comparable from period to period. Lastly, during the six months ended June 30, 2021 we incurred \$3.4 million in expenses related to repairs associated with hurricanes that we did not incur during the six months ended June 30, 2022.

Gathering, transportation and production taxes – Gathering, transportation and production taxes increased \$1.4 million in the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to the increase in realized natural gas prices and increased NGL prices in the six months ended June 30, 2022 as compared to the comparable prior year period, partially offset by a one-time adjustment of \$2.7 million in the first quarter of 2022 related to the calculation of production taxes payable.

Depreciation, depletion, amortization and accretion – DD&A, increased to \$8.99 per Boe for the six months ended June 30, 2022 from \$7.90 per Boe for the six months ended June 30, 2021. On a nominal basis, DD&A increased 13.3%, or \$7.7 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 due to a higher DD&A per Boe rate. The DD&A rate per Boe increased mostly as a result of increases in the capital expenditures and future development costs included in the depreciable base associated with an increase in economic proved undeveloped wells due to higher oil and gas prices compared to the smaller increase in proved reserves over the comparable prior year period.

General and administrative expenses – G&A increased \$4.0 million to \$28.7 million for the six months ended June 30, 2022 as compared to \$24.7 million for the six months ended June 30, 2021. The increase was primarily due a \$2.1 million employee retention credit recorded during the six months ended June 30, 2021 that did not recur during the six months ended June 30, 2022 as well as an increase in employee salaries, share-based compensation expense and allowances for credit losses.

Other Income and Expense

The following table presents the components of other income and expense for the periods presented and corresponding changes:

	Six Months Ended June 30,		
	2022	2021	Change
Other income and expenses:			
Derivative loss	\$ 71,143	\$ 106,020	\$ (34,877)
Interest expense, net	38,066	31,564	6,502
Other (income) expense, net	(629)	963	(1,592)
Income tax expense (benefit)	30,404	(12,944)	43,348

Derivative loss – During the six months ended June 30, 2022, the \$71.1 million derivative loss recorded for crude oil and natural gas derivative contracts consists of \$35.9 million of realized gains on settled contracts and \$107.1 million of unrealized losses, net from the decrease in the fair value of open contracts. During the six months ended June 30, 2021, the \$106.0 million derivative loss recorded for crude oil and natural gas derivative contracts consists of \$23.6 million in realized losses on settled contracts and \$82.4 million of unrealized losses from the decrease in the fair value of open oil and natural gas contracts.

In the second quarter of 2022, the Company monetized a portion of existing hedge positions through restructuring of strike prices on certain outstanding purchased calls covering the second half of 2022 through the first quarter of 2025. This transaction resulted in net cash proceeds of \$105.3 million, through restriking exercise prices of outstanding purchased call options. As part of this monetization, the Company restructured its purchased call options on natural gas to increase the weighted-average strike price to \$7.48 per Mmbtu from \$3.78 per Mmbtu for the remainder of 2022, \$7.50 per Mmbtu from \$3.50 per Mmbtu for 2023, \$6.13 per Mmbtu from \$3.50 per Mmbtu for 2024, and \$5.50 per Mmbtu from \$3.50 per Mmbtu for the first quarter of 2025. These calls cover approximately 85% of its anticipated natural gas production for the balance of 2022.

Unrealized gains or losses on open derivative contracts relate to production for future periods; however, changes in the fair value of all of our open derivative contracts are recorded as a gain or loss on our Condensed Consolidated Statements of Operations at the end of each month. As a result of the derivative contracts we have on our anticipated production volumes through April 2028, we expect these activities to continue to impact net income (loss) based on fluctuations in market prices for oil and natural gas. See *Financial Statements – Note 8 – Derivative Financial Instruments* under Part I, Item 1 of this Quarterly Report for additional information.

Interest expense, net – Interest expense, net, was \$38.1 million and \$31.6 million for the six months ended June 30, 2022 and 2021, respectively. The increase of \$6.5 million in 2022 is primarily due to a full six-months of interest expense on the principal balance of the Term Loan that was entered into in May 2021.

Other (income) expense, net – During the six months ended June 30, 2022, other income net, consists of non-recurring adjustments partially offset by expenses for additional contingent abandonment obligations pertaining to certain of legacy Gulf of Mexico properties. See *Financial Statements– Note 12 – Contingencies* under Part I, Item 1 of this Quarterly Report for additional information. During the six months ended June 30, 2021, the amount primarily consisted of expenses related to the amortization of the brokerage fee paid in connection with the Joint Venture Drilling Program.

Income tax expense (benefit) – Our income tax expense for the six months ended June 30, 2022 was \$30.4 million compared to income tax benefit of \$12.9 million during the six months ended June 30, 2021. For the six months ended June 30, 2022 and 2021, our income tax benefit differed from the statutory Federal tax rate primarily by the impact of state income taxes and adjustments to our valuation allowance. Our effective tax rate was 20.1% and 19.8% for the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, the valuation allowance on our deferred tax assets was \$15.7 million. We continually evaluate the need to maintain a valuation allowance on our deferred tax assets. Any future reduction of a portion or all of the valuation allowance would result in a non-cash income tax benefit in the period the decision occurs. See *Financial Statements – Note 10 –Income Taxes* under Part I, Item 1 of this Quarterly Report for additional information.

Liquidity and Capital Resources

Liquidity Overview

Our primary liquidity needs are to fund capital and operating expenditures and strategic acquisitions to allow us to replace our oil and natural gas reserves, repay and service outstanding borrowings, operate our properties and satisfy our ARO obligations. We have funded such activities in the past with cash on hand, net cash provided by operating activities, sales of property, securities offerings and bank and other borrowings, and expect to continue to do so in the future.

The primary sources of our liquidity are cash from operating activities and borrowings under our Credit Agreement. As of June 30, 2022, we had \$377.7 million cash on hand and \$50.0 million available under our Credit Agreement, based on a borrowing base of \$50.0 million. At current pricing levels, we expect our cash flows to cover our liquidity requirements for the foreseeable future and we expect additional financing sources to be available if needed. Additionally, we believe our access to the equity markets from our ATM Program, our reserve based lending currently available under our Credit Agreement, along with our cash position, will provide us with sufficient liquidity to continue our growth to take advantage of the current commodity environment.

As of June 30, 2022, we had outstanding \$552.5 million principal of Senior Second Lien Notes with an interest rate of 9.75% per annum that mature on November 1, 2023. We have commenced discussions with potential lenders and institutional investors regarding potential refinancing of all or a portion of the Senior Second Lien Notes prior to maturity, although there is no assurance as to the terms of any such refinancing or whether or when such refinancing will occur. We also may seek financings with longer tenors and market based covenants to continue to provide working and potential acquisition capital as well as provide funding for refinancing of all or a portion of our Senior Second Lien Notes. The terms of such financings, which may replace or augment our Credit Agreement and refinance all or a portion of our Senior Second Lien Notes, may vary significantly from those under the Credit Agreement and our Senior Second Lien Notes. We may also consider using a portion of our cash balances to reduce the amount required to be refinanced.

Sources and Uses of Cash

	Six Months Ended June 30,		Change
	2022	2021 (In thousands)	
Operating activities	\$ 237,759	\$ 46,194	\$ 191,565
Investing activities	(78,900)	(8,932)	(69,968)
Financing activities	(26,934)	128,160	(155,094)

Operating activities – Net cash provided by operating activities increased \$191.6 million for the six months ended June 30, 2022 compared to the corresponding period in 2021. This was primarily due to (i) the \$202.6 million increase in oil, NGL, and natural gas revenues during the six months ended June 30, 2022 as compared to the prior year period, and (ii) \$105.3 million of net cash proceeds received related to the monetization of certain natural gas call contracts through restructuring of strike prices. The increase in revenue was primarily due to the increase in realized prices for oil, NGLs, and natural gas. Our combined average realized sales price per Boe increased by 80.9% for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, which caused total revenues to increase \$201.1 million.

These increases in operating cash flow were partially offset by (i) an increase in settlements of AROs which decreased operating cash flows \$39.8 million as compared to \$11.2 million for the six months ended June 30, 2022 and 2021, respectively, and (ii) changes in operating assets and liabilities (excluding ARO settlements) which decreased operating cash flows by \$39.2 million as compared to \$3.5 million for the six months ended June 30, 2022 and 2021, respectively, primarily related to higher oil and natural gas receivables balances due to higher realized prices.

Investing activities – Net cash used in investing activities increased \$70.0 million for the six months ended June 30, 2022 compared to the corresponding period in 2021. The increase was primarily due to the acquisition of properties for \$47.6 million along with other increases in capital spending during the six months ended June 30, 2022 compared to the same period in 2021.

Financing activities – During the six months ended June 30, 2022, cash used in financing activities was \$26.9 million, primarily due to principal payments on the Term Loan. Net cash provided by financing activities was \$128.2 million for the six months ended June 30, 2021 which included the proceeds from the Term Loan of \$208.2 million, offset by repayment of \$80.0 million of borrowings under the Credit Agreement.

Derivative Financial Instruments – From time to time, we use various derivative instruments to manage a portion of our exposure to commodity price risk from sales of oil and natural gas. See *Financial Statements – Note 8 – Derivative Financial Instruments* under Part I, Item 1 of this Quarterly Report for additional information about our derivative activities. The following table summarizes the historical results of our hedging activities:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Crude Oil (\$/Bbl):				
Average realized sales price, before the effects of derivative settlements	\$ 107.90	\$ 65.11	\$ 101.43	\$ 60.88
Effects of realized commodity derivatives	(18.22)	(8.86)	(17.47)	(7.20)
Average realized sales price, including realized commodity derivatives	<u>\$ 89.68</u>	<u>\$ 56.25</u>	<u>\$ 83.96</u>	<u>\$ 53.68</u>
Natural Gas (\$/Mcf)				
Average realized sales price, before the effects of derivative settlements	\$ 7.70	\$ 2.66	\$ 6.40	\$ 2.99
Effects of realized commodity derivatives ⁽¹⁾	8.88	(0.28)	3.76	(0.17)
Average realized sales price, including realized commodity derivatives	<u>\$ 16.58</u>	<u>\$ 2.38</u>	<u>\$ 10.16</u>	<u>\$ 2.82</u>

- (1) The three and six months ended June 30, 2022 includes the effect of the \$138.0 million realized gain related to the monetization of certain natural gas call contracts through restructuring of strike prices.

Income Taxes – For 2022, we expect 10-12% of our income tax expense to be cash taxes. We do not have any outstanding current income taxes receivable and made a de minimis income tax payment during the six months ended June 30, 2022. See *Financial Statements – Note 10 – Income Taxes* under Part I, Item 1 of this Quarterly Report for additional information.

Capital Expenditures

The level of our investment in oil and natural gas properties changes from time to time depending on numerous factors, including the prices of crude oil, NGLs and natural gas, acquisition opportunities, available liquidity and the results of our exploration and development activities.

	Six Months Ended June 30,	
	2022	2021
	(In thousands)	
Exploration ⁽¹⁾	\$ 9,854	\$ 1,309
Development ⁽¹⁾	9,186	902
Acquisitions of interests	47,625	471
Seismic and other	6,449	3,172
Investments in oil and gas property/equipment – accrual basis	<u>\$ 73,114</u>	<u>\$ 5,854</u>

- (1) Reported geographically in the subsequent table.

The following table presents our exploration and development capital expenditures geographically in the Gulf of Mexico (in thousands):

	Six Months Ended June 30,	
	2022	2021
	(In thousands)	
Conventional shelf ⁽¹⁾	\$ 7,849	\$ 101
Deepwater	11,191	2,110
Exploration and development capital expenditures – accrual basis	<u>\$ 19,040</u>	<u>\$ 2,211</u>

- (1) Includes exploration and development capital expenditures in Alabama state waters.

The capital expenditures are included within *Oil and natural gas properties and other, net* on the Condensed Consolidated Balance Sheets and recorded on an accrual basis. The capital expenditures reported within the Investing section of the Condensed Consolidated Statements of Cash Flows include adjustments to report cash payments related to capital expenditures. Net cash used in investing activities for the six months ended June 30, 2022 included \$5.8 million in working capital changes associated with capital expenditures incurred during the six months ended June 30, 2022, but not yet paid. Our capital expenditures for the six months ended June 30, 2022 were financed by cash flow from operations and cash on hand.

Acquisitions – As described in *Financial Statements – Note 4 – Acquisitions* under Part I, Item 1 of this Quarterly Report, the Company acquired working interest and operatorship of certain oil and natural gas producing properties in federal shallow waters in the Gulf of Mexico at Ship Shoal 230, South Marsh Island 27/Vermilion 191, and South Marsh Island 73 fields on February 1, 2022 and April 1, 2022. After normal and customary post-effective date adjustments (including net operating cash flow attributable to the properties from the effective date to the respective close date), cash consideration of approximately \$30.2 million and \$17.5 million was paid to the sellers. The transaction was funded using cash on hand.

Asset Retirement Obligations – Each quarter, we review and revise our ARO estimates. Our ARO estimates as of June 30, 2022 and December 31, 2021 were \$460.8 million and \$424.5 million, respectively. The increase is primarily due to the acquisition of assets as described above. These increases were partially offset by \$39.8 million related to liabilities settled. As our ARO estimates are for work to be performed in the future, and in the case of our non-current ARO, extend from one to many years in the future, actual expenditures could be substantially different than our estimates. See *Risk Factors*, under Part I, Item 1A of our 2021 Annual Report for additional information.

Drilling Activity

We did not drill any wells in the six months ended June 30, 2022. During the six months ended June 30, 2022, we completed the East Cameron 349 B-1 well (Cota). The Cota well is in the Monza Joint Venture Drilling Program. See *Financial Statements – Note 6 – Joint Venture Drilling Program* under Part I, Item 1 of this Quarterly Report for additional information.

Debt

Term Loan – As of June 30, 2022, we had \$165.9 million of Term Loan principal outstanding. The Term Loan requires quarterly amortization payments which began September 30, 2021, bears interest at a fixed rate of 7% per annum and will mature on May 19, 2028. The Term Loan is non-recourse to the Company and its subsidiaries other than Subsidiary Borrowers and the subsidiary that owns the equity of the Subsidiary Borrowers, and is not secured by any assets other than first lien security interests in the equity in the Subsidiary Borrowers and a first lien mortgage security interest and mortgages on certain assets of Subsidiary Borrowers (the Mobile Bay Properties). See *Financial Statements – Note 2 – Debt* under Part I, Item 1 of this Quarterly Report for additional information.

Credit Agreement. During the six months ended June 30, 2022, we had no borrowings incurred or outstanding under the Credit Agreement.

Senior Second Lien Notes – As of June 30, 2022, we had outstanding \$552.5 million principal of Senior Second Lien Notes with an interest rate of 9.75% per annum that mature on November 1, 2023. The Senior Second Lien Notes are secured by a second-priority lien on all of our assets that are secured under the Credit Agreement. See *Financial Statements – Note 2 – Debt* under Part I, Item 1 of this Quarterly Report for additional information.

Debt Covenants – The Term Loan, Credit Agreement, and Senior Second Lien Notes contain financial covenants calculated as of the last day of each fiscal quarter, which include thresholds on financial ratios, as defined in the respective Subsidiary Credit Agreement, Credit Agreement and the indenture related to the Senior Second Lien Notes. We were in compliance with all applicable covenants of the Term Loan, Credit Agreement and the Senior Second Lien Notes indenture as of and for the period ended June 30, 2022. See *Financial Statements – Note 2 – Debt* under Part I, Item 1 of this Quarterly Report for additional information.

The Subsidiary Borrowers

On May 19, 2021, we formed A-I LLC and A-II LLC, both indirect, wholly-owned subsidiaries of W&T Offshore, Inc., through their parent, Aquasition Energy LLC (collectively, the “Aquasition Entities”). Concurrently, A-I LLC and A-II II LLC, entered into a credit agreement providing for the Term Loan in an initial aggregate principal amount equal to \$215.0 million. Proceeds of the Term Loan were used by A-I LLC and A-II LLC to fund the acquisition of the Mobile Bay Properties and the Midstream Assets, respectively, from the Company. The Term Loan is non-recourse to the Company and any subsidiaries other than the Aquasition Entities, and is secured by the first lien security interests in the equity of the Aquasition Entities and a first lien mortgage security interest in the Mobile Bay Properties. The See *Financial Statements – Note 5 – Subsidiary Borrowers* under Part II, Item 1 in this Quarterly Report for additional information.

At that time, we designated the Aquasition Entities as unrestricted subsidiaries under the Indenture governing our Senior Second Lien Notes (the “Unrestricted Subsidiaries”). Having been so designated, the Unrestricted Subsidiaries do not guarantee the Senior Second Lien Notes and the liens on the assets sold to the Unrestricted Subsidiaries have been released under the Credit Agreement. The Unrestricted Subsidiaries are not bound by the covenants contained in the Credit Agreement or the Senior Second Lien Notes. Under the Subsidiary Credit Agreement and related instruments, assets of the Aquasition Entities may not be available to mortgage or pledge as security to secure new indebtedness of the Company and its other subsidiaries. See *Financial Statements – Note 2 – Debt* under Part I, Item 1 in this Quarterly Report for additional information.

Below is consolidating balance sheet information reflecting the elimination of the accounts of our Unrestricted Subsidiaries from our Condensed Consolidated Balance Sheet as of June 30, 2022 (in thousands):

	Consolidated Balance Sheet	Eliminations of Unrestricted Subsidiaries	Consolidated Balance Sheet of restricted subsidiaries
Assets			
Current assets:			
Cash and cash equivalents	\$ 377,724	\$ (34,117)	\$ 343,607
Restricted cash	4,417	—	4,417
Receivables:			
Oil and natural gas sales	99,155	(59,706)	39,449
Joint interest, net	13,370	6,413	19,783
Total receivables	112,525	(53,293)	59,232
Prepaid expenses and other assets	53,073	(102)	52,971
Total current assets	547,739	(87,512)	460,227
Oil and natural gas properties and other, net	741,390	(277,418)	463,972
Restricted deposits for asset retirement obligations	21,667	—	21,667
Deferred income taxes	75,474	—	75,474
Other assets	53,538	20,962	74,500
Total assets	<u>\$ 1,439,808</u>	<u>\$ (343,968)</u>	<u>\$ 1,095,840</u>
Liabilities and Shareholders' Deficit			
Current liabilities:			
Accounts payable	\$ 86,290	\$ (38,535)	\$ 47,755
Undistributed oil and natural gas proceeds	51,215	(10,591)	40,624
Asset retirement obligations	51,504	—	51,504
Accrued liabilities	153,967	(73,633)	80,334
Current portion of long-term debt	37,199	(37,199)	—
Income tax payable	3,356	—	3,356
Total current liabilities	383,531	(159,958)	223,573
Long-term debt			
Principal	681,179	(128,719)	552,460
Unamortized debt issuance costs	(9,205)	5,569	(3,636)
Long-term debt, net	671,974	(123,150)	548,824
Asset retirement obligations, less current portion	409,265	(57,532)	351,733
Other liabilities	99,294	(80,135)	19,159
Deferred income taxes	113	—	113
Common stock	1	—	1
Additional paid-in capital	554,755	—	554,755
Retained deficit	(654,958)	76,807	(578,151)
Treasury stock, at cost	(24,167)	—	(24,167)
Total shareholders' deficit	(124,369)	76,807	(47,562)
Total liabilities and shareholders' deficit	<u>\$ 1,439,808</u>	<u>\$ (343,968)</u>	<u>\$ 1,095,840</u>

Below is Consolidating Statement of Operations information reflecting the elimination of the accounts of our Unrestricted Subsidiaries from our Condensed Consolidated Statement of Operations for the six months ended June 30, 2022 (in thousands):

	Consolidated	Eliminations of Unrestricted Subsidiaries	Consolidated restricted subsidiaries
Revenues:			
Oil	\$ 281,966	\$ (414)	\$ 281,552
NGLs	30,555	(19,028)	11,527
Natural gas	143,779	(98,623)	45,156
Other	8,512	(6,296)	2,216
Total revenues	<u>464,812</u>	<u>(124,361)</u>	<u>340,451</u>
Operating expenses:			
Lease operating expenses	96,387	(23,740)	72,647
Gathering, transportation and production taxes	14,448	(7,551)	6,897
Depreciation, depletion, amortization and accretion	65,271	(1,285)	63,986
General and administrative expenses	28,743	(609)	28,134
Total operating expenses	<u>204,849</u>	<u>(33,185)</u>	<u>171,664</u>
Operating income (loss)	259,963	(91,176)	168,787
Interest expense (income), net	38,066	(8,436)	29,630
Derivative loss (gain)	71,143	(132,046)	(60,903)
Other expense, net	(629)	—	(629)
Income before income taxes	151,383	49,306	200,689
Income tax benefit	30,404	—	30,404
Net income	<u>\$ 120,979</u>	<u>\$ 49,306</u>	<u>\$ 170,285</u>

The following table presents our produced oil, NGLs and natural gas volumes (net to our interests) from the Subsidiary Borrowers for the six months ended June 30, 2022:

	Six Months Ended June 30, 2022
Production Volumes:	
Oil (MBbls)	7
NGLs (MBbls)	468
Natural gas (MMcf)	15,166
Total oil equivalent (MBoe)	3,003

Contractual Obligations

As of June 30, 2022, there were no long-term drilling rig commitments. Contractual obligations as of June 30, 2022 did not change materially from the disclosures in *Management's Discussion and Analysis of Financial Condition and Results of Operations*, under Part II, Item 7 of our 2021 Annual Report.

Critical Accounting Policies and Estimates

We consider accounting policies related to oil and natural gas properties, proved reserve estimates, fair value measure of financial instruments, asset retirement obligations, revenue recognition and income taxes as critical accounting policies. These policies include significant estimates made by management using information available at the time the estimates are made. However, these estimates could change materially if different information or assumptions were used.

There have been no changes to our critical accounting policies which are summarized in *Management's Discussion and Analysis of Financial Condition and Results of Operations* under Part II, Item 7 of our 2021 Annual Report.

Recent Accounting Pronouncements

There was no recently issued accounting standards material to us.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about the types of market risks for the June 30, 2022 did not change materially from the disclosures in *Quantitative and Qualitative Disclosures About Market Risk* under Part II, Item 7A of our 2021 Annual Report. In addition, the information contained herein should be read in conjunction with the related disclosures in our 2021 Annual Report.

Item 4. Controls and Procedures

We have established disclosure controls and procedures designed to ensure that material information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC and that any material information relating to us is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, our management recognizes that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives. In reaching a reasonable level of assurance, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Exchange Act Rule 13a-15(b), we performed an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO have each concluded that as of June 30, 2022, our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that our controls and procedures are designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended June 30, 2022, there was no change in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

See *Financial Statements – Note 12 – Contingencies* under Part I Item 1 of this Quarterly Report for information on various legal proceedings to which we are a party or our properties are subject.

Item 1A. Risk Factors

New climate disclosure rules proposed by the SEC may increase our costs of compliance and adversely impact our business.

On March 21, 2022, the U.S. Securities and Exchange Commission proposed new rules relating to the disclosure of a range of climate-related risks. We are currently assessing the proposed rule, but at this time we cannot predict the costs of implementation or any potential adverse impacts resulting from the rule. To the extent this rule is finalized as proposed, we could incur increased costs relating to the assessment and disclosure of climate-related risks. We may also face increased litigation risks related to disclosures made pursuant to the rule if finalized as proposed. In addition, enhanced climate disclosure requirements could accelerate the trend of certain stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in certain carbon-intensive sectors. The SEC proposes certain phase-in compliance dates under the proposed rule for disclosure of Scope 1, 2, and 3 greenhouse gas (“GHG”) emissions. As initially proposed, accelerated filers such as us would be obligated to disclose Scope 1 and 2 GHG emissions for fiscal year 2024 in the 2025 filing year and disclose Scope 3 GHG emissions for fiscal year 2025 in the 2026 filing year. For more information on our risks related to Environmental, Social and Governance matters and attention to climate change, see *Risk Factors* “*Increasing attention to Environmental, Social and Governance (“ESG”) matters may impact our business*” and “*The threat of climate change could result in increased costs and reduced demand for the oil and natural gas we produce, which could have a material adverse effect on our business, results of operations, financial condition and cash flows*” included in Part I, Item 1A of our 2021 Annual Report.

In addition to the information set forth in this Quarterly Report, investors should carefully consider the risk factors and other cautionary statements included under Part I, Item 1A, *Risk Factors*, in our 2021 Annual Report, together with all of the other information included in this Quarterly Report, and in our other public filings, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Our operations could be adversely impacted by cybersecurity incidents, which could affect the systems, processes and data needed to run our business and report our results.

We rely on our information technology infrastructure and management information systems to operate and record aspects of our business. Although we take measures to protect against cybersecurity risks, including unauthorized access to our confidential and proprietary information, our cybersecurity measures may not be able to detect or prevent every attempted cybersecurity incident. For instance, we may not be able to anticipate, detect or prevent cybersecurity attacks or security breaches, particularly because the methodologies used by attackers change frequently or may not be recognized until such attack is launched, and because attackers are increasingly using technologies specifically designed to circumvent cybersecurity measures and avoid detection. Cybersecurity incidents include, among other things, unauthorized access to or misuse of our information technology systems, hacking, phishing, computer viruses, interference with treasury function, theft or acts of vandalism or terrorism. In addition, a cybersecurity attack or security breach could ultimately result in liability under data privacy laws, regulatory penalties, damage to our reputation, or additional costs for remediation and modification or enhancement of our information systems to prevent future occurrences.

While we have experienced cybersecurity incidents to our systems, we have not suffered any material impact to our business and operations related to such incidents. A cybersecurity incident or other security breach could result in an interruption in our operations, malfunction of our platform control devices, disabling of our communication links, the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information, unauthorized publication of our confidential business or proprietary information, unauthorized release of landowner or employee data, violation of privacy or other laws and exposure to litigation or government enforcement actions. Additionally, if an increased number of our employees and service providers are working from home and connecting to our networks remotely, this may further increase the risk of, and our vulnerability to, a cybersecurity attack or security breach to our network. The recent invasion of parts of Ukraine by Russia, and the impact of world sanctions against Russia and the potential for retaliatory acts from Russia, could also result in increased cybersecurity attacks against U.S. companies. Ultimately, cybersecurity incidents and security breaches could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

In conducting a recent review of the Company's cybersecurity and information technology infrastructure, measures and controls, we became aware that the cybersecurity measures and controls of the Company and its primary third-party information technology service provider responsible for the management, operation and servicing of such infrastructure did not align with customary industry practices. The Company is currently in the process of remediating the identified issues, including implementing new or updated cybersecurity policies and procedures, engaging new personnel, including a newly hired chief information officer responsible for our information technology and cybersecurity measures, and transitioning away from certain legacy systems and service providers. Although our cybersecurity review has not to date identified any material adverse impact on our business, financial condition or results of operations or the accuracy of our financial statements, our improvements to our cybersecurity and information technology infrastructure, measures and controls may not prove to be effective in deterring cybersecurity incidents or other security breaches in the future.

Moreover, as cyber incidents become more sophisticated, we may need to develop, modify, upgrade or enhance our information technology infrastructure and cybersecurity measures to secure our business. This can lead to increased cybersecurity protection costs, including making organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants. These events could have a material adverse effect on our financial condition, liquidity or results of operations or the integrity of the systems, processes and data needed to run our business.

We outsource substantially all of our information technology infrastructure and the management and servicing of such infrastructure, which makes us more dependent upon third parties and exposed to related risks. We are in the process of transitioning substantially all of such infrastructure, which subjects us to increased costs and risks.

We have historically outsourced substantially all of our information technology infrastructure and the management and servicing of such infrastructure to a limited number of third-party service providers. As a result, we rely on third parties that we do not control to ensure that our technology needs are sufficiently met, and cyber risks are effectively managed. This reliance has subjected us to certain cybersecurity risks arising from the loss of control over certain processes, including the potential misappropriation, destruction, corruption or unavailability of certain data and systems, such as confidential or proprietary information. As such, a failure of any of our information technology service providers to perform its management and operational duties securely and effectively may have a material adverse effect on our financial condition, liquidity or results of operations or the integrity of the systems, processes and data needed to run our business. We also have not had written agreements with our primary service provider, which exposed us to additional risks with respect to the systems and data outsourced to such provider. In addition, our primary information technology service provider recently notified us of its intention to cease providing services to us by September 2, 2022, which will require rapid transition of these services and infrastructure inside the Company or to other providers. We may not be able to fully complete a transition before such termination, which could impair our ability to monitor our production and accurately prepare our results of operations in a timely fashion. Although we are moving certain services within the Company and transitioning to new service providers and implementing agreements with our providers, such transition exposes us to additional risks, including increased costs, focus of management's attention, and loss, damage to or unavailability of data or systems, which could have an adverse effect on our business and results of operations.

We are subject to laws, rules, regulations and policies regarding data privacy and security. Many of these laws and regulations are subject to change and reinterpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or other harm to our business.

We are subject to a variety of federal, state and local laws, directives, rules and policies relating to data privacy and cybersecurity. The regulatory framework for data privacy and cybersecurity worldwide is continuously evolving and developing and, as a result, interpretation and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. It is also possible inquiries from governmental authorities regarding cybersecurity breaches increase in frequency and scope. These data privacy and cybersecurity laws also are not uniform, which may complicate and increase our costs for compliance. Any failure or perceived failure by us or our third-party service providers to comply with any applicable laws relating to data privacy and cybersecurity, or any compromise of security that results in the unauthorized access, improper disclosure, or misappropriation of data, could result in significant liabilities and negative publicity and reputational harm, one or all of which could have an adverse effect on our reputation, business, financial condition and operations.

Notwithstanding the matters discussed herein, there have been no material changes in our risk factors as previously disclosed in Part I, Item 1A, *Risk Factors*, in our 2021 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Third Amended and Restated Bylaws

On August 7, 2022, the Board of Directors of W&T Offshore, Inc. approved certain amendments (the “Amendments”) to the Company’s Second Amended and Restated Bylaws. The Amendments revise the indemnification provisions and added new forum selection provisions. The Amendments also include certain other ministerial clarifications and updates.

The Third Amended and Restated Bylaws of the Company, reflecting the Amendments, were effective on August 7, 2022. The foregoing description does not purport to be complete and is qualified in its entirety by the text of the Third Amended and Restated Bylaws of the Company, a copy of which is filed herewith as Exhibit 3.4 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Indemnification Agreements

On August 8, 2022, the Company entered into Indemnification Agreements (the “Indemnification Agreements”) with each of the Company’s directors and officers (as defined under Rule 16a-1(f)). The Indemnification Agreements require the Company to indemnify these individuals to the fullest extent permitted by applicable law against liability that may arise by reason of their service to the Company, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

The foregoing description does not purport to be complete and is qualified in its entirety by the text of the Indemnification Agreements, a form of which is filed herewith as Exhibit 10.3 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of W&T Offshore, Inc. (Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed February 24, 2006 (File No. 001-32414).)
3.2	Certificate of Amendment to the Amended and Restated Articles of Incorporation of W&T Offshore, Inc. (Incorporated by reference to Exhibit 3.3 of the Company's Quarterly Report on Form 10-Q, filed July 31, 2012 (File No. 001-32414))
3.3	Certificate of Amendment to the Amended and Restated Articles of Incorporation of W&T Offshore, Inc., dated as of September 6, 2016. (Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed September 6, 2016 (File No. 001-32414))
3.4*	Third Amended and Restated Bylaws of W&T Offshore, Inc.
10.1*	Restricted Stock Unit Agreement (Service-based Vesting), pursuant to the W&T Offshore, Inc. Amended and Restated Incentive Compensation Plan.
10.2*	Restricted Stock Unit Agreement (Performance Vesting), pursuant to the W&T Offshore, Inc. Amended and Restated Incentive Compensation Plan.
10.3*	Form of Indemnification Agreement by and between W&T Offshore, Inc. and each of its directors and certain of its officers.
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certification of Chief Executive Officer and Chief Financial Officer
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Schema Document
101.CAL*	Inline XBRL Calculation Linkbase Document
101.DEF*	Inline XBRL Definition Linkbase Document
101.LAB*	Inline XBRL Label Linkbase Document
101.PRE*	Inline XBRL Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed or furnished herewith.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 8, 2022.

W&T OFFSHORE, INC.

By: /s/ Janet Yang
Janet Yang
Executive Vice President and Chief Financial Officer
(Principal Financial Officer), duly authorized to sign on behalf
of the registrant

THIRD AMENDED AND RESTATED

BYLAWS

OF

W&T OFFSHORE, INC.

A TEXAS CORPORATION

(Adopted and Amended by Resolution of the Board of Directors on August 7, 2022)

ARTICLE I

REGISTERED OFFICE

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

ARTICLE II

SHAREHOLDERS

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

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

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

Section 3. Annual Meetings. An annual meeting of the shareholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly

come before the meeting, shall be held at such place, within or without the State of Texas, on such date and at such time as the Board of Directors shall fix and set forth in the notice of the meeting, which date shall be within 13 months subsequent to the last annual meeting of shareholders.

Section 4. Special Meetings. Unless otherwise provided in the Articles of Incorporation, special meetings of the shareholders for any proper purpose or purposes may be called at any time by (a) the Chairman of the Board (if any), the President, the Board of Directors, or such other person or persons as may be authorized in the Articles of Incorporation or these Bylaws or (b) unless the Articles of Incorporation provide otherwise, the holders of issued and outstanding shares representing at least thirty percent of all the votes entitled to be cast at the proposed special meeting.

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

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

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

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

If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive a distribution (other than a distribution involving a purchase or redemption by the Corporation of any of its own shares) or a share dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such distribution or share dividend is adopted, as the case may be, shall be the record date for such determination of shareholders.

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

Section 6. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary or the officer or person

calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, any such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

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

Section 7. Voting List. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer books shall be prima-facie evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this Section shall not affect the validity of any action taken at such meeting.

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

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

- (a) a pledgee;

- (b) a person who purchased or agreed to purchase, or owns or holds an option to purchase, the shares;
- (c) a creditor of the Corporation who extended it credit under terms requiring the appointment;
- (d) an employee of the Corporation whose employment contract requires the appointment; or
- (e) a party to a voting agreement executed in accordance with the Texas Business Organizations Code.

Should a proxy designate two or more persons to act as proxies, unless such instrument shall provide to the contrary, a majority of such persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, the Corporation shall not be required to recognize such proxy with respect to such issue if such proxy does not specify how the shares that are the subject of such proxy are to be voted with respect to such issue.

Section 9. Voting; Elections; Inspectors. Unless otherwise required by law or provided in the Articles of Incorporation, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

All voting, except as required by the Articles of Incorporation or where otherwise required by law, may be by a voice vote; provided, however, that a vote by ballot shall be taken upon demand therefor by shareholders holding issued and outstanding shares representing a majority of the voting power present in person or by proxy at any meeting. Every vote by ballot shall be taken by written ballots, each of which shall state the name of the shareholder or proxy voting and such other information as may be required under the procedure established for the meeting.

At any meeting at which a vote is taken by ballots, the chairman of the meeting may appoint one or more inspectors, each of whom shall subscribe an oath or affirmation to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. Such inspector shall receive the ballots, count the votes and make and sign a certificate of the result thereof. The chairman of the meeting may appoint any person to serve as inspector, except no candidate for the office of director shall be appointed as an inspector.

At each election of directors, each shareholder entitled to vote thereat shall, unless otherwise provided by law or by the Articles of Incorporation, have the right to vote the number of shares owned by him for as many persons as there are to be elected and for whose election he has a right to vote. Unless expressly prohibited by the Articles of Incorporation, a shareholder shall have the right to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by his shares shall equal, or by distributing such votes on the same principle among any number of such candidates. Any shareholder who intends to cumulate his votes shall give written notice of such intention to the Secretary of the Corporation on or before the day preceding the election at which such shareholder intends to cumulate his votes. Any shareholder may cumulate his votes if such shareholder or any other shareholder gives the written notice provided for herein.

Section 10. Conduct of Meetings. All meetings of the shareholders shall be presided over by the chairman of the meeting, who shall be the Chairman of the Board (if any), or if he is not present, the President, or if neither the Chairman of the Board (if any) nor President is present, a chairman elected at the meeting. The Secretary of the Corporation, if present, shall act as secretary of such meetings, or if he is not present, an Assistant Secretary (if any) shall so act; if neither the Secretary nor an Assistant Secretary (if any) is present, then a secretary shall be appointed by the chairman of the meeting. The chairman of any meeting of shareholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order.

Section 11. Treasury Shares. Neither the Corporation nor any other person shall vote, directly or indirectly, at any meeting, shares of the Corporation's own stock owned by the Corporation, shares of the Corporation's own stock owned by another corporation the majority of the voting stock of which is owned or controlled by the Corporation, and shares of the Corporation's own stock held by the Corporation in a fiduciary capacity; and such shares shall not be counted in determining the total number of outstanding shares at any given time.

Section 12. Notice of Shareholder Business and Nominations.

(a) Annual Meetings of Shareholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at such meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (c) of paragraph (a)(1) of Section 12 of this Bylaw, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as described above. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before

the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class or series and number of shares of the Corporation which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of Section 12 of this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement of the increased Board is first made by the Corporation.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any such shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (a)(2) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a shareholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors, and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination

or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (a) of shareholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act or (b) of the holders of any series of preferred stock of the Corporation to elect directors under specified circumstances.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Power; Number; Term of Office; Election Procedures. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and shareholders: The number and terms of the members of board of directors of the Corporation and the procedures to elect directors, to remove directors, and to fill vacancies in the board of directors shall be as follows:

(a) Unless otherwise provided in the Articles of Incorporation, the number of directors that shall constitute the whole board of directors shall from time to time be fixed exclusively by the board of directors by a resolution adopted by a majority of the whole board of directors serving at the time of that vote. Except in the event of a vacancy contemplated by Section 1(c) of this Article III, in no event shall the number of directors that constitute the whole board of directors be fewer than three. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Directors of the Corporation need not be elected by written ballot unless the bylaws of the Corporation otherwise provide. Unless otherwise provided in the Articles of Incorporation, directors need not be shareholders of the Corporation or residents of the State of Texas.

(b) Except as otherwise required by law, the Articles of Incorporation of the Corporation, or these Bylaws, the directors shall be elected at an annual meeting of shareholders at which a quorum is present. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote on the election of directors. Each director so chosen shall hold office until the first annual meeting of shareholders held after his election and until his successor is elected and qualified or, if earlier, until his death, resignation, or removal from office.

(c) Vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office, or other cause and newly-created directorships resulting from any increase in the authorized number of directors may be filled by no less than a majority vote of the remaining directors then in office, though less than a quorum, and shall hold office until the first meeting of shareholders held after his election for the purpose of electing directors and until his successor is elected and qualified or until his earlier death, resignation, or removal from office. Any such vacancies which result in the number of directors being less than three shall be promptly filled according to the procedures set forth in this paragraph.

(d) A director of the Corporation may be removed before the expiration date of that director's term of office only for cause, by an affirmative vote of the holders of more than 60% of the outstanding shares of stock then entitled to be voted at an election of directors, cast at the annual meeting of shareholders or at any special meeting of shareholders called by a majority of the whole board of directors for this purpose.

Section 2. Quorum; Required Vote for Director Action. Unless otherwise required by law or provided in the Articles of Incorporation or these Bylaws, a majority of the total number of directors shall constitute a quorum for the transaction of business of the Board of Directors, and the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3. Meetings; Order of Business. Meetings of the Board of Directors may be held at such place or places as shall be determined from time to time by resolution of the Board of Directors. At all meetings of the Board of Directors business shall be transacted in such order as shall from time to time be determined by the Chairman of the Board (if any), or in his absence by the President (if the President is director), or by resolution of the Board of Directors. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business and the ground that the meeting is not lawfully called or convened.

Section 4. First Meeting. In connection with any annual meeting of shareholders at which directors were elected, the Board of Directors may, if a quorum is present, hold its first meeting for the transaction of business immediately after and at the same place as such annual meeting of the shareholders. Notice of such meeting at such time and place shall not be required.

Section 5. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board (if any), the President or, on the written request of any one director, by the Secretary, in each case on at least 24 hours personal, written, telegraphic, cable, wireless or electronic notice to each director. Such notice, or any waiver thereof pursuant to Article IX, Section 3 hereof, need not state the purpose or purposes of such meeting, except as may otherwise be required by law or provided for by the Articles of Incorporation or these Bylaws.

Section 7. Compensation. Unless restricted by the Articles of Incorporation, the Board of Directors shall have the authority to fix the compensation, if any, of directors.

Section 8. Presumption of Assent. A director who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 9. Approval or Ratification of Acts or Contracts by Shareholders. The Board of Directors in its discretion may submit any act or contract for approval or ratification at any annual meeting of the shareholders, or at any special meeting of the shareholders called for the purpose of considering any such act or contract, and any act or contract that shall be approved or be ratified by the vote of the shareholders holding a majority of the issued and outstanding shares of stock of the Corporation entitled to vote and present in person or by proxy at such meeting (provided that a quorum is present), shall be as valid and as binding upon the Corporation and upon all the shareholders as if it shall have been approved or ratified by every shareholder of the Corporation.

ARTICLE IV

COMMITTEES

Section 1. Designation; Powers. The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members one or more committees, each of which, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors, except that no such committee shall have the authority of the Board of Directors in reference to amending the Articles of Incorporation, approving a plan of merger or consolidation, recommending to the shareholders the sale, lease, or exchange of all or substantially all of the property and assets of the Corporation otherwise than in the usual and regular course of its business, recommending to the shareholders a voluntary dissolution of the Corporation or a revocation thereof, amending, altering, or repealing these Bylaws or adopting new bylaws for the Corporation, filling vacancies in the Board of Directors or any such committee, filling any directorship to be filled by reason of an increase in the number of directors, electing or removing officers of the Corporation or members of any such committee, fixing the compensation of any member of such committee, or altering or repealing any resolution of the Board of Directors that by its terms provides that it shall not be so amendable or repealable in such manner; and, unless such resolution or the Articles of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of shares of the Corporation.

Section 2. Procedure; Meetings; Quorum. Any committee designated pursuant to Section 1 of this Article shall choose its own chairman and secretary, shall keep regular minutes of its proceedings and report the same to the Board of Directors when requested, shall fix its own rules or procedures, and shall meet at such times and at such place or places as may be provided by such rules, or by resolution of such committee or of the Board of Directors. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution.

Section 3. Substitution of Members. The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

Section 4. Dissolution. The Board of Directors may dissolve any committee at any time, unless otherwise provided in the Articles of Incorporation or these Bylaws.

ARTICLE V

OFFICERS

Section 1. Number, Titles and Term of Office. The officers of the Corporation shall be a President and a Secretary and such other officers as the Board of Directors may from time to time elect or appoint, including, without limitation, a Chairman of the Board, one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President), a Treasurer, one or more Assistant Treasurers and one or more Assistant Secretaries. Each officer shall hold office until his successor shall be duly elected and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same person. Except for the Chairman of the Board, if any, no officer need be a director.

Section 2. Salaries. The salaries or other compensation, if any, of the officers and agents of the Corporation shall be fixed from time to time by the Board of Directors.

Section 3. Removal. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed, either with or without cause, by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights.

Section 4. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 5. Powers and Duties of the Chief Executive Officer. The President shall be the chief executive officer of the Corporation unless the Board of Directors designates the Chairman of the Board (if any) or other officer as chief executive officer. Subject to the control of the Board of Directors, the chief executive officer shall have general executive charge, management and control of the properties, business and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; he may agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation and may sign all certificates for shares of capital stock of the Corporation; and he shall have such other powers and duties as designated in accordance with these Bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 6. Powers and Duties of the Chairman of the Board. The Chairman of the Board (if any) shall preside at all meetings of the shareholders and of the Board of Directors; and the Chairman shall have such other powers and duties as designated in these Bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 7. Powers and Duties of the President. Unless the Board of Directors otherwise determines, the President shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation; and, unless the Board of Directors otherwise determines, he shall, in the absence of the Chairman of the Board or if there be no Chairman of the Board, preside at all meetings of the shareholders and (should he be a director) of the Board of Directors; and the President shall have such other powers and duties as designated in accordance with these Bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 8. Vice Presidents. The Vice President(s), if any, shall perform such duties and have such powers as the Board of Directors may from time to time prescribe. In addition, in the absence of the Chairman of the Board (if any) or President, or in the event of their inability or refusal to act, (i) a Vice President designated by the Board of Directors or (ii) in the absence of such designation, the Vice President who is present and who is senior in terms of time as a Vice President of the Corporation, shall perform the duties of the Chairman of the Board (if any), or the President, as the case may be, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board (if any), or the President; provided that he shall not preside at meetings of the Board of Directors unless he is a director.

Section 9. Treasurer. The Treasurer, if any, shall have responsibility for the custody and control of all the funds and securities of the Corporation, and he shall have such other powers and duties as designated in these Bylaws and as from time to time may be assigned to him by the Board of Directors. He shall perform all acts incident to the position of Treasurer subject to the control of the chief executive officer and the Board of Directors; and the Treasurer shall, if required by the Board of

Directors, give such bond for the faithful discharge of his duties in such form as the Board of Directors may require.

Section 10. Assistant Treasurers. Each Assistant Treasurer, if any, shall have the usual powers and duties pertaining to his office, together with such other powers and duties as designated in these Bylaws and as from time to time may be assigned to him by the chief executive officer or the Board of Directors or the Treasurer. The Assistant Treasurers shall exercise the powers of the Treasurer during that officer's absence or inability or refusal to act.

Section 11. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors, and the minutes of all meetings of the shareholders, in books provided for that purpose; he shall attend to the giving and serving of all notices; he may in the name of the Corporation affix the seal (if any) of the Corporation to all contracts of the Corporation and attest thereto; he may sign with the other appointed officers all certificates for shares of capital stock of the Corporation; he shall have charge of the certificate books, transfer books and stock ledgers, and such other books and papers as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection of any director upon application at the office of the Corporation during business hours; he shall have such other powers and duties as designated in these Bylaws and as from time to time may be assigned to him by the chief executive officer or the Board of Directors; and he shall in general perform all duties incident to the office of Secretary, subject to the control of the chief executive officer and the Board of Directors.

Section 12. Assistant Secretaries. Each Assistant Secretary, if any, shall have the usual powers and duties pertaining to his office, together with such other powers and duties as designated in these Bylaws and as from time to time may be assigned to him by the chief executive officer or the Board of Directors or the Secretary. The Assistant Secretaries shall exercise the powers of the Secretary during that officer's absence or inability or refusal to act.

Section 13. Action With Respect to Securities of Other Corporations. Unless otherwise directed by the Board of Directors, each of the chief executive officer and the Treasurer (if any), or either of them, shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of shareholders of or with respect to any action of shareholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Subject to the limitations and conditions as provided in this Article VI, the Corporation shall indemnify and hold harmless the directors and officers of the Corporation (each, an "Indemnified Person") to the fullest extent permitted by law from and against any and all losses, claims, demands, costs, damages, liabilities, joint or several, expenses of any nature (including reasonable attorneys' fees and disbursements), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which the Indemnified Person may be involved or threatened to be involved, as a party or otherwise, arising out of or incidental to the business or activities of or relating to the Corporation regardless of whether the Indemnified Person continues to be a director or officer at

the time any such liability or expense is paid or incurred. The indemnification provided in this Article VI may not be made to or on behalf of any director or officer if a final adjudication establishes that the Indemnified Person's acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and indemnification under this Article VI shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. The rights granted pursuant to this Article VI shall be deemed contract rights, and no amendment, modification or repeal of this Article VI shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article VI could involve indemnification for negligence or under theories of strict liability.

Section 2. Advance Payment. The right to indemnification conferred in this Article VI shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by a person of the type entitled to be indemnified under Section 1 who was, is or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without any determination as to the person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of a written affirmation by such director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article VI and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified under this Article VI or otherwise.

Section 3. Appearance as a Witness. Notwithstanding any other provision of this Article VI, the Corporation may pay or reimburse expenses incurred by a director or officer in connection with his or her appearance as a witness or other participation in a proceeding at a time when he or she is not a named defendant or respondent in the proceeding.

Section 4. Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VI shall not be exclusive of any other right which a director or officer may have or hereafter acquire under any law (common or statutory), provision of the Articles of Incorporation of the Corporation or these Bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

Section 5. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, proprietorship, employee benefit plan, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article VI.

Section 6. Shareholder Notification. To the extent required by law, any indemnification of or advance of expenses to a director or officer in accordance with this Article VI shall be reported in writing to the shareholders with or before the notice or waiver of notice of the next shareholders' meeting or with or before the next submission to shareholders of a consent to action without a meeting and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

Section 7. Savings Clause. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director, officer or any other person indemnified pursuant to this Article VI as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the fullest extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VII

CAPITAL STOCK

Section 1. Certificates of Stock; Uncertificated Stock. The shares of the Corporation's capital stock may be certificated or uncertificated, as provided under the Texas Business Organizations Code, and shall be entered in the books of the Corporation and registered as they are issued. The Corporation shall be entitled to treat the holder of record of any shares of the Corporation as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such shares or any rights deriving from such shares, on the part of any other person, unless and until such other person becomes the holder of record of such shares, whether or not the Corporation shall have either actual or constructive notice of the interest of such other person. The stock record books and the blank stock certificate books shall be kept by the Secretary, or at the office of such transfer agent or transfer agents as the Board of Directors may from time to time by resolution determine.

Any certificates representing shares of capital stock of the Corporation shall be in such form as the Board of Directors shall prescribe, certifying the number and class of shares of the stock of the Corporation owned by the shareholder. Any such certificates shall be signed by the Chairman of the Board (if any), President or a Vice President (if any) and the Secretary or an Assistant Secretary (if any) or the Treasurer or an Assistant Treasurer (if any) certifying the number of shares (and, if the stock of the Corporation shall be divided into classes or series, the class and series of such shares) owned by such shareholder in the Corporation; provided, however, that any of or all the signatures on the certificate may be facsimile. If the Board of Directors shall have provided for a seal, such certificates shall bear such seal or a facsimile thereof. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature or signatures shall have been placed upon any such certificate or certificates shall have ceased to be such officer, transfer agent or registrar before such certificate is issued by the Corporation, such certificate may nevertheless be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The stock certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued and shall exhibit the holder's name and number of shares. Each certificate shall conspicuously bear any legend required pursuant to the Texas Business Organizations Code, as well as any other legend required by law.

Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send, or cause the transfer agent of the Corporation to send, to the registered owner thereof a written notice that shall set forth any information required by Section 3.205 of the Texas Business Organizations Code.

Section 2. Transfer of Shares. The shares of stock of the Corporation, shall be transferable only on the books of the Corporation by the registered holders of certificated or uncertificated shares thereof

in person or by their duly authorized attorneys or legal representatives, and in the case of certificated shares upon surrender and cancellation of certificates, for a like number of shares (or upon compliance with the provisions of Section 5 of this Article VII, if applicable). Upon such surrender to the Corporation or a transfer agent of the Corporation of a certificate for shares duly endorsed, or in respect of uncertificated shares, upon the written instruction originated by the appropriate person to transfer the shares, in each case, accompanied by proper evidence of succession, assignment or authority to transfer (or upon compliance with the provisions of Section 5 of this Article VII, if applicable) and of compliance with any transfer restrictions applicable thereto contained in an agreement to which the Corporation is a party or of which the Corporation has knowledge by reason of legend with respect thereto placed on any such surrendered stock certificate or by such other notice given in compliance with the Texas Business Organizations Code, it shall be the duty of the corporation to issue a new certificate or evidence of the issuance of uncertificated shares to the person entitled thereto, cancel the old certificate (with respect to certificated shares) and record the transaction upon its books.

Section 3. Ownership of Shares. The Corporation shall be entitled to treat the holder of record of any share or shares of capital stock of the Corporation as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 4. Regulations Regarding Certificates. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration of certificated or uncertificated shares of capital stock of the Corporation, including the replacement of certificates evidencing such capital stock.

Section 5. Lost, Stolen, Destroyed or Mutilated Certificates. The Board of Directors may determine the conditions upon which a new certificate of stock may be issued in place of a certificate that is alleged to have been lost, stolen, destroyed or mutilated; and may, in its discretion, require the owner of such certificate or his legal representative to give bond, with sufficient surety, to indemnify the Corporation and each transfer agent and registrar against any and all losses or claims which may arise by reason of the issuance of a new certificate in the place of the one so lost, stolen, destroyed or mutilated.

ARTICLE VIII

FORUM FOR ADJUDICATION OF DISPUTES

Section 1. Forum for Adjudication of Disputes. To the fullest extent permitted by law and subject to applicable jurisdictional requirements, and unless the Corporation consents in writing to the selection of an alternative forum, the United States District Court for the Southern District of Texas or, if such court lacks jurisdiction, the state district court of Harris County, Texas, shall be the sole and exclusive forum for (i) any derivative action or proceeding brought in the name or right of the Corporation or on its behalf; (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee or other agent of the Corporation to the Corporation or the Corporation's shareholders; (iii) any action arising or asserting a claim arising pursuant to any provision of the Articles of Incorporation or these Bylaws (as either may be amended from time to time) or the Texas Business Organizations Code; or (iv) any action asserting a claim governed by the internal affairs doctrine, including, without limitation, any action to interpret, apply, enforce or determine the validity of the Articles of Incorporation or these Bylaws.

Section 2. Consent to Jurisdiction. If any action the subject matter of which is within the scope of this Article VIII is filed in a court other than United States District Court for the Southern District of Texas (or if such court lacks jurisdiction, the state district court of Harris County, Texas) (a "foreign action") by any current or former shareholder (including any current or former beneficial owner), such shareholder shall be deemed to have consented to: (a) the personal jurisdiction of the United States District Court for the Southern District of Texas (or if such court lacks jurisdiction, the state district court of Harris County, Texas) in connection with any action brought in any such court to enforce this Article VIII; and (b) having service of process made upon such shareholder in any such action by service upon such shareholder's counsel in the foreign action as agent for such shareholder. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article VIII.

Section 3. Enforceability. If any provision of this Article VIII shall be held to be invalid, illegal, or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality, and enforceability of such provision in any other circumstance and of the remaining provisions of this Article VIII (including, without limitation, each portion of any sentence of this Article VIII containing any such provision held to be invalid, illegal, or unenforceable that is not itself held to be invalid, illegal, or unenforceable) and the application of such provision to other persons or entities or circumstances shall not in any way be affected or impaired thereby.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Corporation shall be such as established from time to time by the Board of Directors.

Section 2. Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation. The Secretary shall have charge of the seal (if any). If and when so directed by the Board of Directors, duplicates of the seal may be kept and used by the Treasurer, if any, or by any Assistant Secretary or Assistant Treasurer.

Section 3. Notice and Waiver of Notice. Whenever any notice is required to be given by law, the Articles of Incorporation or these Bylaws, except with respect to notices of meetings of shareholders (with respect to which the provisions of Article II, Section 6 apply) and except with respect to notices of special meetings of directors (with respect to which the provisions of Article III, Section 6 apply), said notice shall be deemed to be sufficient if given (a) by telegraphic, cable, wireless or electronic transmission or (b) by deposit of same in a post office box in a sealed prepaid wrapper addressed to the person entitled thereto at his address as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such transmission or mailing, as the case may be.

Whenever notice is required to be given by law, the Articles of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 4. Resignations. Any director, member of a committee or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time

be specified, at the time of its receipt by the chief executive officer or secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Facsimile Signatures. In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

Section 6. Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and Board of Directors and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of the shares held by each. Any books, records and minutes may be in written form or in any other form capable of being converted into written form within a reasonable time.

Section 7. Reliance Upon Books, Reports and Records. Neither a director nor a member of any committee of directors shall be liable if, in the exercise of ordinary care, he relied and acted in good faith (a) upon financial statements or other information of the Corporation represented to him to be correct in all material respects by the President or by the officer of the Corporation having charge of its books of account, or reported by an independent public or certified public accountant or firm of such accountants to present fairly the financial position of the Corporation, or (b) upon the written opinion of an attorney for the Corporation; nor shall he be so liable if, in the exercise of ordinary care and in good faith, in voting for or assenting to a distribution by the Corporation, he considered the assets of the Corporation to be of their book value.

Section 8. Action Without a Meeting or by Telephone Conference Meeting. Any action permitted or required by law, the Articles of Incorporation or these Bylaws, to be taken at a meeting of the shareholders, the Board of Directors or any committee designated by the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action to be taken is signed by all the shareholders or members of the Board of Directors or committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting and may be stated as such in any document or instrument filed with the Secretary of State, and the execution of such consent shall constitute attendance or presence in person at a meeting of shareholders, the Board of Directors or any such committee, as the case may be. Subject to the requirements by law, the Articles of Incorporation or these Bylaws for notice of meetings, unless otherwise restricted by the Articles of Incorporation, members of the Board of Directors, or members of any committee designated by the Board of Directors, may participate in and hold a meeting of such Board of Directors or any committee of directors, as the case may be, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting shall constitute attendance and presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE X

AMENDMENTS

The Board of Directors may amend or repeal the Corporation's bylaws, or adopt new bylaws, unless: (a) the Articles of Incorporation or the Texas Business Organizations Code reserves the power

exclusively to the shareholders in whole or part; or (b) the shareholders, in amending, repealing or adopting a particular bylaw, expressly provide that the Board of Directors may not amend or repeal that bylaw.

Unless the Articles of Incorporation or a bylaw adopted by the shareholders provides otherwise as to all or some portion of the Corporation's bylaws, the Corporation's shareholders may amend, repeal or adopt the Corporation's bylaws even though the bylaws may also be amended, repealed or adopted by the Board of Directors.

**W&T OFFSHORE, INC.
AMENDED AND RESTATED INCENTIVE COMPENSATION PLAN**

**RESTRICTED STOCK UNIT GRANT NOTICE
(Service-based Vesting)**

Pursuant to the terms and conditions of the W&T Offshore, Inc. Amended and Restated Incentive Compensation Plan, as amended from time to time (the “*Plan*”), W&T Offshore, Inc. (the “*Company*”) hereby grants to the individual listed below (“*you*” or the “*Participant*”) the number of Restricted Stock Units (the “*RSUs*”) and a Cash Award (the “*Cash Award*”) set forth below. This award of RSUs and the Cash Award (this “*Award*”) is subject to the terms and conditions set forth herein and in the Restricted Stock Unit Agreement attached hereto as Exhibit A (the “*Agreement*”) and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant:

Date of Grant:

**Total Number of Restricted
Stock Units:**

**Total Amount of Cash
Award:**

**Vesting Commencement
Date:**

Vesting Schedule:

Subject to Section 3(b) and Section 3(c) of the Agreement, the Plan and the other terms and conditions set forth herein, the Award shall vest and become exercisable according to the following schedule: [insert vesting schedule]. For the avoidance of doubt, the Cash Award will be paid if, as and when the RSUs vest under this Agreement and the Plan.

The Award described above is equal to ____% of your Base Salary (defined within the Agreement). The RSUs included in the Award are based on the strike price set by the Company for [insert award year]. To the extent you commenced employment after the beginning of the initial performance period, the Award has been adjusted to reflect that fact.

By your signature below, you agree to be bound by the terms and conditions of the Plan, the Agreement and this Restricted Stock Unit Grant Notice (this “*Grant Notice*”). You acknowledge that you have reviewed the Agreement, the Plan and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan and this Grant Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement, the Plan or this Grant Notice. This Grant Notice may be executed in one or more counterparts (including

portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, and the Participant has executed this Grant Notice, effective for all purposes as provided above.

W&T OFFSHORE, INC.

By: _____
Name:
Title:

PARTICIPANT

Name:

SIGNATURE PAGE TO
RESTRICTED STOCK UNIT GRANT NOTICE

EXHIBIT A

RESTRICTED STOCK UNIT AGREEMENT

This Restricted Stock Unit Agreement (together with the Grant Notice to which this Agreement is attached, this “**Agreement**”) is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached by and between W&T Offshore, Inc., a Texas corporation (the “**Company**”), and _____ (“**you**” or the “**Participant**”). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Definitions.** For purposes of this Agreement, the following terms shall have the meanings specified below.

(a) “**Base Salary**” means your annual pay rate in effect at the Date of Grant through the applicable vesting period, (i) including any amounts deferred pursuant to an election under any 401(k) plan, pre-tax premium plan, deferred compensation plan, or flexible spending account sponsored by the Company or any Subsidiary, but (ii) excluding any incentive compensation, employee benefit, or other cash benefit paid or provided under any incentive, bonus or employee benefit plan sponsored by the Company or any Subsidiary, and/or any excellence award, gains upon stock option exercises, restricted stock grants or vesting, moving or travel expense reimbursement, imputed income, or tax gross-ups, without regard to whether the payment or gain is taxable income to you. To the extent you commence employment after the beginning of the initial vesting period, your Base Salary for that initial performance period shall mean the base salary you would receive working (based on your annual pay rate in effect on your first day of employment) for the period from your first day of employment until the end of the initial vesting period.

(b) “**Disability** ” means “disability” (or a term of like import) as defined under an Individual Agreement or, in the absence of such an Individual Agreement that defines “disability” (or a term of like import), Disability shall mean (i) a physical or mental impairment of sufficient severity that, in the opinion of the Company, (A) you are unable to continue performing the duties assigned to you prior to such impairment or (B) your condition entitles you to disability benefits under any insurance or employee benefit plan of the Company or its Subsidiaries, and (ii) the impairment or condition is cited by the Company as the reason for your termination; provided, however, that in all cases, the term Disability shall be applied and interpreted in compliance with the Nonqualified Deferred Compensation Rules.

(c) “**Individual Agreement**” means an employment, severance, change in control or other agreement governing your service relationship with the Company or any Affiliate.

(d) “**Normal Retirement**” means “normal retirement” (or a term of like import) as defined under an Individual Agreement or, in the absence of such an Individual Agreement that defines “normal retirement” (or a term of like import), Normal Retirement shall mean the termination of your employment or service relationship with the Company and each of its Subsidiaries by which you are employed or provide services to due to your voluntary retirement on or after the date that you attain age 67.

2. **Award.** In consideration of the Participant's past and/or continued employment with, or service to, the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant set forth in the Grant Notice (the "**Date of Grant**"), the Company hereby grants to the Participant the number of RSUs set forth in the Grant Notice and the amount of the Cash Award on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control. To the extent vested, each RSU represents the right to receive one share of Stock, or the cash equivalent thereof, or any combination of both at the Company's discretion, subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan. Unless and until the Award has become vested in the manner set forth in the Grant Notice, the Participant will have no right to receive any Stock or other payments in respect of the Award. Prior to settlement of this Award, this Award represents an unsecured obligation of the Company, payable only from the general assets of the Company.

3. **Vesting of Award.**

(a) Except as otherwise set forth in the remainder of this Section 3, the Award shall vest in accordance with the vesting schedule set forth in the Grant Notice. Unless and until the RSUs have vested in accordance with such vesting schedule, the Participant will have no right to receive any dividends or other distribution with respect to the RSUs. In the event of the termination of the Participant's employment or other service relationship prior to the vesting of all of the Award (but after giving effect to any accelerated vesting pursuant to this Section 3), any unvested Award (and all rights arising from such Award and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

(b) Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, subject to Section 11, the Award shall immediately become fully vested upon (i) the termination of the Participant's employment or other service relationship with the Company or an Affiliate due to the Participant's Disability or death, or (ii) upon a Change in Control.

(c) Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, subject to Section 11, the Award shall receive pro-rata vesting upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate due to the Participant's Normal Retirement. The pro-rata vesting shall be calculated by multiplying the number of unvested RSUs held by the Participant at the time of his or her Normal Retirement by a fraction, the numerator of which is the number of full months (counting the month in which the termination occurs as a full month) that have passed following the Date of Grant, and the denominator of which is 36 (the "**Pro-Rata Fraction**"). The pro-rata vesting for the Cash Award shall be calculated by multiplying the amount of the unvested Cash Award by the Pro-Rata Fraction.

4. **Dividend Equivalents.** In the event that the Company declares and pays a dividend in respect of its outstanding shares of Stock and, on the record date for such dividend, the Participant holds RSUs granted pursuant to this Agreement that have not been settled, the Company shall record the amount of such dividend in a bookkeeping account and pay to the

Participant an amount in cash equal to the cash dividends the Participant would have received if the Participant was the holder of record, as of such record date, of a number of shares of Stock equal to the number of RSUs held by the Participant that have not been settled as of such record date, such payment to be made on or within 60 days following the date on which such RSUs vest in accordance with Section 3. For purposes of clarity, if the RSUs (or any portion thereof) are forfeited by the Participant pursuant to the terms of this Agreement, then the Participant shall also forfeit the Dividend Equivalents, if any, accrued with respect to such forfeited RSUs. No interest will accrue on the Dividend Equivalents between the declaration and payment of the applicable dividends and the settlement of the Dividend Equivalents.

5. **Settlement of Award** . If the Participant is subject to Section 16(b) of the Exchange Act, the vested RSUs will be settled in the form of shares of Stock; provided, however, that the Committee shall retain the authority to modify the settlement form of the vested RSUs at any time prior to the applicable vesting date. If the Participant is not subject to Section 16(b) of the Exchange Act, the Committee, in its sole discretion, shall determine at the time of settlement whether the vested RSUs will be settled: (a) in a single lump sum cash payment in an amount equal to the Fair Market Value of Stock as of the date of settlement multiplied by the number of vested RSUs to be settled, (b) in shares of such Stock, or (c) in a combination of cash and shares of Stock. The Committee shall also determine whether the vested Cash Award will be settled: (i) in a single lump sum cash payment, (ii) in shares of Stock equal to the vested Cash Award divided by the Fair Market Value of Stock as of the date of settlement, or (iii) in a combination of cash and shares of Stock. Notwithstanding anything to the contrary within this Agreement or the Plan, the Committee retains the sole discretion to modify the form or amount of settlement of this Award at any time in order to maintain compliance with internal policies regarding the dilution of Stock. The applicable settlement of the vested Award will occur as soon as administratively practicable following the vesting of the Award pursuant to Section 3, but in no event later than 30 days after such vesting date. All shares of Stock issued hereunder shall be delivered either by delivering one or more certificates for such shares to the Participant or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 5 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

6. **Tax Withholding**. To the extent that the receipt, vesting or settlement of this Award results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, then (a) for any Participant that is subject to Section 16(b) of the Exchange Act, with respect to any portion of the Award that is required to be settled in the form of Stock pursuant to Section 5 above, the Company shall withhold from the Stock to be issued the number of shares of Stock necessary to satisfy the applicable tax obligation for that portion of the Award, unless the Committee takes action to provide for a different withholding method prior to the date of the event giving rise to the tax withholding obligation, and (b) for any Participant that is not subject to Section 16(b) of the Exchange Act, or with respect to any portion of the Award that is settled in the form of a cash payment, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to this Award, which arrangements include the delivery of cash or cash equivalents, Stock (including previously owned Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the amount of shares otherwise issuable or delivered

pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Stock, the maximum number of shares of Stock that may be so withheld (or surrendered) shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or an Affiliate or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

7. **Non-Transferability.** During the lifetime of the Participant, the RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the RSUs have been issued, and all restrictions applicable to such shares have lapsed. Neither the Award nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

8. **Compliance with Applicable Law.** Notwithstanding any provision of this Agreement to the contrary, the issuance of shares of Stock hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No shares of Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, shares of Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any shares of Stock hereunder will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Stock hereunder, the Company may require the Participant to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

9. **Legends.** If a stock certificate is issued with respect to shares of Stock issued hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the SEC, any applicable laws or the requirements of any stock exchange on which the Stock is then listed. If the shares of Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

10. **Rights as a Stockholder.** The Participant shall have no rights as a stockholder of the Company with respect to any shares of Stock that may become deliverable hereunder unless and until the Participant has become the holder of record of such shares of Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares of Stock, except as otherwise specifically provided for in the Plan or this Agreement.

11. **Execution of Receipts and Releases.** Any issuance or transfer of shares of Stock or other property to the Participant or the Participant's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such Person hereunder. As a condition precedent to such payment or issuance, the Company may require the Participant or the Participant's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to vested Award.

12. **No Right to Continued Employment, Service or Awards** . Nothing in the adoption of the Plan, nor the award of the Award thereunder pursuant to the Grant Notice and this Agreement, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the Award is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

13. **Legal and Equitable Remedies.** The Participant acknowledges that a violation or attempted breach of any of the Participant's covenants and agreements in this Agreement will cause such damage as will be irreparable, the exact amount of which would be difficult to ascertain and for which there will be no adequate remedy at law, and accordingly, the parties hereto agree that the Company and its Affiliates shall be entitled as a matter of right to an injunction issued by any court of competent jurisdiction, restraining the Participant or the affiliates, partners or agents of the Participant from such breach or attempted violation of such covenants and agreements, as well as to recover from the Participant any and all costs and expenses sustained or incurred by the Company or any Affiliate in obtaining such an injunction, including, without limitation, reasonable attorneys' fees. The parties to this Agreement agree that no bond or other security shall be required in connection with such injunction. Any exercise by either of the parties to this Agreement of its rights pursuant to this Section 13 shall be cumulative and in addition to any other remedies to which such party may be entitled.

14. **Notices.** All notices and other communications under this Agreement shall be in writing and shall be delivered to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company, unless otherwise designated by the Company in a written notice to the Participant (or other holder):

W&T Offshore, Inc.
Attn: Vice President and General Counsel
5718 Westheimer Rd., Suite 700
Houston, Texas 77057

If to the Participant, at the Participant's last known address on filed with the Company.

Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

15. **Consent to Electronic Delivery; Electronic Signature.** In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

16. **Agreement to Furnish Information.** The Participant agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

17. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the Award granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any Individual Agreement in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force

and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of the Participant shall be effective only if it is in writing and signed by both the Participant and an authorized officer of the Company.

18. **Severability and Waiver.** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

19. **Clawback.** Notwithstanding any provision in the Grant Notice, this Agreement or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any SEC rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all shares of Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

20. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF TEXAS LAW.

21. **Successors and Assigns.** The Company may assign any of its rights under this Agreement without the Participant's consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the Person(s) to whom the Award may be transferred by will or the laws of descent or distribution.

22. **Headings.** Headings are for convenience only and are not deemed to be part of this Agreement.

23. **Counterparts.** The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

24. **Section 409A.** Notwithstanding anything herein or in the Plan to the contrary, the Award granted pursuant to this Agreement is intended to be exempt from the applicable requirements of the Nonqualified Deferred Compensation Rules and shall be limited, construed

and interpreted in accordance with such intent. Nevertheless, to the extent that the Committee determines that the Award may not be exempt from the Nonqualified Deferred Compensation Rules, then, if the Participant is deemed to be a "specified employee" within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the Award upon his "separation from service" within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the Award provided under this Agreement is exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules.

W&T OFFSHORE, INC.
AMENDED AND RESTATED INCENTIVE COMPENSATION PLAN

RESTRICTED STOCK UNIT GRANT NOTICE
(Performance Vesting)

Pursuant to the terms and conditions of the W&T Offshore, Inc. Amended and Restated Incentive Compensation Plan, as amended from time to time (the “*Plan*”), W&T Offshore, Inc. (the “*Company*”) hereby grants to the individual listed below (“*you*” or the “*Participant*”) the number of performance-based restricted stock units (the “*PSUs*”) and a Cash Award (the “*Cash Award*”) set forth below. This award of PSUs and the Cash Award (this “*Award*”) is subject to the terms and conditions set forth herein and in the Restricted Stock Unit Agreement attached hereto as Exhibit A (the “*Agreement*”) and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant: _____

Date of Grant: _____

**Award Type and
Description:**

The PSU is a Restricted Stock Unit Award granted as a Performance Award pursuant to Sections 6 and 8 of the Plan. This Award represents the right to receive shares of Stock in an amount up to 200% of the Target PSUs (defined below), subject to the terms and conditions set forth herein and in the Agreement. The Cash Award is a target cash value granted to you, which may be settled in an amount up to 200% of the Target Cash Award (defined below), subject to the terms and conditions set forth herein and in the Agreement. The number of Target PSUs and the Target Cash Award amount shall be referred to in the aggregate as the “*Target Award*.”

Your right to receive settlement of this Award in an amount ranging from 0% to 200% of the Target Award shall vest and become earned and nonforfeitable upon (i) your satisfaction of the continued employment or service requirements described below under “*Service Requirement*” and (ii) the Committee’s certification of the level of achievement of the Performance Goal (defined below) (“*Earned PSUs*” or “*Earned Cash Awards*,” as applicable, or in the aggregate the “*Earned Award*”). The portion of the Target PSUs actually earned upon satisfaction of both of the foregoing requirements is referred to herein as the “*Vested PSUs*.” The portion of the Target Cash Award actually earned upon satisfaction of both of the foregoing requirements is referred to herein as the “*Vested Cash Award*.” The Vested PSUs and the Vested Cash Award shall be referred to in the aggregate as the “*Vested Award*.”

Target Number of PSUs: _____ (the “*Target PSUs*”).

Target Value of Cash Award: _____ (the “*Target Cash Award*”).

Performance Period: [Insert period beginning on the Performance Period Commencement Date and ending on the Performance Period End Date]

Service Requirement: Except as expressly provided in Sections 4 and 5 of the Agreement, you must remain continuously employed by, or continuously provide services to, the Company or an Affiliate, as applicable, from the Date of Grant through [insert Service Vesting Date] (the “*Service Vesting Date*”) to be eligible to receive payment of this Award, which is also based on the level of achievement with respect to the Performance Goal (as defined below).

Performance Goal: Subject to the terms and conditions set forth in the Plan, the Agreement and herein, the number of Target PSUs, if any, that become Earned PSUs during the Performance Period will be determined in accordance with the following table:

Level of Achievement
Percentage of Target PSUs Earned*
< Threshold
0%
Threshold
[insert %]
Target
[insert %]
Maximum
[insert %]

*The percentage of Target PSUs that become Earned PSUs for performance between the threshold, target and maximum achievement levels shall be calculated using linear interpolation.

The Target Cash Award shall be subject to the same table set forth above for the Target PSUs, and will vest, if at all, at the same percentage as applicable to any Earned PSUs.

The “*Performance Goal*” for the Performance Period is based on the [insert performance goal description] as described in Exhibit B attached hereto.

Settlement: Settlement of the Vested PSUs and the Vested Cash Award shall be made in shares of Stock, cash, or a combination of Stock and cash, in accordance with Section 6 of the Agreement.

The Target Award described above is equal to ____% of your Base Salary (defined within the Agreement). The Target PSUs included in the Award are based on the strike price set by the

Company for [insert grant year]. To the extent you commenced employment after the beginning of the initial performance period, the Award has been adjusted to reflect that fact.

By your signature below, you agree to be bound by the terms and conditions of the Plan, the Agreement and this Restricted Stock Unit Grant Notice (this “**Grant Notice**”). You acknowledge that you have reviewed the Agreement, the Plan and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan and this Grant Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement, the Plan or this Grant Notice. This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, and the Participant has executed this Grant Notice, effective for all purposes as provided above.

W&T OFFSHORE, INC.

By: _____
Name:
Title:

PARTICIPANT

Name:

SIGNATURE PAGE TO
RESTRICTED STOCK UNIT GRANT NOTICE



EXHIBIT A

RESTRICTED STOCK UNIT AGREEMENT

This Restricted Stock Unit Agreement (together with the Grant Notice to which this Agreement is attached, this “*Agreement*”) is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached by and between W&T Offshore, Inc., a Texas corporation (the “*Company*”), and _____ (the “*Participant*”). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Definitions.** For purposes of this Agreement, the following terms shall have the meanings specified below.

(a) “*Base Salary*” means your annual pay rate in effect at the Date of Grant through the applicable Performance Period, (i) including any amounts deferred pursuant to an election under any 401(k) plan, pre-tax premium plan, deferred compensation plan, or flexible spending account sponsored by the Company or any Subsidiary, but (ii) excluding any incentive compensation, employee benefit, or other cash benefit paid or provided under any incentive, bonus or employee benefit plan sponsored by the Company or any Subsidiary, and/or any excellence award, gains upon stock option exercises, restricted stock grants or vesting, moving or travel expense reimbursement, imputed income, or tax gross-ups, without regard to whether the payment or gain is taxable income to you. To the extent you commence employment after the beginning of the initial Performance Period, your Base Salary for that initial Performance Period shall mean the base salary you would receive working (based on your annual pay rate in effect on your first day of employment) for the period from your first day of employment until the end of the initial Performance Period.

(b) “*Disability*” means “disability” (or a term of like import) as defined under an Individual Agreement or, in the absence of such an Individual Agreement that defines “disability” (or a term of like import), Disability shall mean (i) a physical or mental impairment of sufficient severity that, in the opinion of the Company, (A) you are unable to continue performing the duties assigned to you prior to such impairment or (B) your condition entitles you to disability benefits under any insurance or employee benefit plan of the Company or its Subsidiaries, and (ii) the impairment or condition is cited by the Company as the reason for your termination; provided, however, that in all cases, the term Disability shall be applied and interpreted in compliance with the Nonqualified Deferred Compensation Rules.

(c) “*Individual Agreement*” means an employment, severance, change in control or other agreement governing the Participant’s service relationship with the Company or any Affiliate.

2. **Award.** In consideration of the Participant’s past and/or continued employment with, or service to, the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant set forth in the Grant Notice (the “*Date of Grant*”), the Company hereby grants to the Participant the target number of PSUs and the target amount of the Cash Award set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is

incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement (including, for the avoidance of doubt, with respect of the subject matter covered in Section 5), the terms of the Plan shall control. To the extent vested, each PSU represents the right to receive one share of Stock, or the cash equivalent thereof, subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan; provided, however, that, depending on the level of performance determined to be attained with respect to the Performance Goal, the number of shares of Stock that may be earned hereunder in respect of the PSUs may range from 0% to [insert maximum goal %] of the Target PSUs. The Cash Award may also range from 0% to [insert maximum goal %] of the Target Cash Award, and the Company shall settle the Cash Award in the form of cash or Stock. Unless and until the Award has become vested in the manner set forth in the Grant Notice, the Participant will have no right to receive any Stock or other payments in respect of the Award. Prior to settlement of this Award, this Award represents an unsecured obligation of the Company, payable only from the general assets of the Company.

3. **Vesting of Award.** Except as otherwise set forth in Section 4 and 5, the Award shall vest and become a Vested Award in accordance with the Participant's satisfaction of the service-based vesting schedule set forth in the Grant Notice (the "**Service Requirement**"), and based on the extent to which the Company has satisfied the Performance Goal set forth in the Grant Notice, which shall be determined by the Committee in its sole discretion following the end of the Performance Period (and any portion of the Award that does not become earned following the Performance Period shall be automatically forfeited following certification of the Performance Goals). Unless and until the PSUs have vested and become Vested PSUs as described in the preceding sentence, the Participant will have no right to receive any dividends or other distribution with respect to the PSUs.

4. **Effect of Termination of Employment or Service.**

(a) *Termination of Employment or Service due to Death or Disability.* Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, subject to Section 12, prior to the end of the Performance Period, if your employment or service relationship with the Company and any of its Subsidiaries is terminated as a result of your death or Disability, then the Service Requirement shall be deemed to have been met on a pro-rata basis. The pro-rata portion of the Service Requirement that shall be deemed to be met shall be calculated by multiplying the Target Award by a fraction, the numerator of which is the number of full months during which you were employed or providing services to the Company and/or any Subsidiary, beginning with the first day of the first month of the year in which the Date of Grant occurs until the date of your applicable termination (counting the month in which your applicable termination occurs as a full month), and the denominator of which is 36. The portion of your Target Award for which the Service Requirement is deemed to be met due to the pro-rata acceleration of the Service Requirement in this Section 4(a) shall continue to be subject to the Performance Goal for the entirety of the Performance Period, while the remainder of the Target Award will be deemed to terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

(b) *Other Termination of Employment or Service.* Except as otherwise provided in Section 4(a), if the Participant has not satisfied the Service Requirement, then upon the termination of the Participant's employment or other service relationship with the Company or an

Affiliate for any reason, any unearned Award (and all rights arising from such Award and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

(c) *Change in Control.*

(i) Prior to the end of the Performance Period. Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, subject to Section 12, upon the consummation of a Change in Control during the Performance Period, all restrictions shall lapse with respect to the Target Award, and the Target Award shall be deemed a Vested Award.

(ii) Following the Performance Period. Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, subject to Section 12, upon the consummation of a Change in Control following the Performance Period, all restrictions shall lapse with respect to the Earned Award, and the Earned Award shall be deemed a Vested Award.

5. **Dividend Equivalents.** In the event that the Company declares and pays a dividend in respect of its outstanding shares of Stock and, on the record date for such dividend, the Participant holds PSUs granted pursuant to this Agreement that have not been settled, the Company shall record the amount of such dividend in a bookkeeping account and pay to the Participant an amount in cash equal to the cash dividends the Participant would have received if the Participant was the holder of record, as of such record date, of a number of shares of Stock equal to the number of PSUs held by the Participant that have not been settled as of such record date, such payment to be made on the date on which any Vested PSUs are settled in accordance with Section 6. For purposes of clarity, if the PSUs (or any portion thereof) are forfeited by the Participant pursuant to the terms of this Agreement, then the Participant shall also forfeit the Dividend Equivalents, if any, accrued with respect to such forfeited PSUs. No interest will accrue on the Dividend Equivalents between the declaration and payment of the applicable dividends and the settlement of the Dividend Equivalents.

6. **Settlement of Award .** If the Participant is subject to Section 16(b) of the Exchange Act, the vested PSUs will be settled in the form of shares of Stock; provided, however, that the Committee shall retain the authority to modify the settlement form of the vested PSUs at any time prior to the applicable vesting date. If the Participant is not subject to Section 16(b) of the Exchange Act, the Committee, in its sole discretion, shall determine at the time of settlement whether the Vested PSUs will be settled: (i) in a single lump sum cash payment in an amount equal to the Fair Market Value of Stock as of the date of settlement multiplied by the number of Vested PSUs to be settled, (ii) in shares of such Stock, or (iii) in a combination of cash and shares of Stock. The Committee shall also determine whether the Vested Cash Award will be settled: (i) in a single lump sum cash payment, (ii) in shares of Stock equal to the Vested Cash Award divided by the Fair Market Value of Stock as of the date of settlement, or (iii) in a combination of cash and shares of Stock. Notwithstanding anything to the contrary within this Agreement or the Plan, the Committee retains the sole discretion to modify the form or amount of settlement of this Award at any time in order to maintain compliance with internal policies regarding the dilution of Stock. The applicable settlement shall occur as soon as administratively practicable, but in no event later than March 15 of the calendar year following the year in which all vesting restrictions lapse. In

the event that any fractional PSU becomes earned hereunder, that PSU shall be rounded down at the time of settlement of such PSU. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, shall be issuable or payable to the Participant pursuant to this Agreement. All shares of Stock, if any, issued hereunder shall be delivered either by delivering one or more certificates for such shares to the Participant or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 6 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

7. **Tax Withholding.** To the extent that the receipt, vesting or settlement of this Award results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, then (a) for any Participant that is subject to Section 16(b) of the Exchange Act, with respect to any portion of the Award that is required to be settled in the form of Stock pursuant to Section 6 above, the Company shall withhold from the Stock to be issued the number of shares of Stock necessary to satisfy the applicable tax obligation for that portion of the Award, unless the Committee takes action to provide for a different withholding method prior to the date of the event giving rise to the tax withholding obligation, and (b) for any Participant that is not subject to Section 16(b) of the Exchange Act, or with respect to any portion of the Award that is settled in the form of a cash payment, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to this Award, which arrangements include the delivery of cash or cash equivalents, Stock (including previously owned Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the amount of shares otherwise issuable or delivered pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Stock, the maximum number of shares of Stock that may be so withheld (or surrendered) shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or an Affiliate or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

8. **Non-Transferability.** During the lifetime of the Participant, the PSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the PSUs have been issued, and all restrictions applicable to such shares have lapsed. Neither the Award nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or

involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

9. **Compliance with Applicable Law.** Notwithstanding any provision of this Agreement to the contrary, the issuance of shares of Stock hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No shares of Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, shares of Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any shares of Stock hereunder will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Stock hereunder, the Company may require the Participant to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

10. **Legends .** If a stock certificate is issued with respect to shares of Stock issued hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the SEC, any applicable laws or the requirements of any stock exchange on which the Stock is then listed. If the shares of Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

11. **Rights as a Stockholder.** The Participant shall have no rights as a stockholder of the Company with respect to any shares of Stock that may become deliverable hereunder unless and until the Participant has become the holder of record of such shares of Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares of Stock, except as otherwise specifically provided for in the Plan or this Agreement.

12. **Execution of Receipts and Releases.** Any issuance or transfer of shares of Stock or other property to the Participant or the Participant's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such Person hereunder. As a condition precedent to such payment or issuance, the Company may require the Participant or the Participant's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such

form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to Vested Award.

13. **No Right to Continued Employment, Service or Awards** . Nothing in the adoption of the Plan, nor the award of the Award thereunder pursuant to the Grant Notice and this Agreement, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the Award is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

14. **Legal and Equitable Remedies.** The Participant acknowledges that a violation or attempted breach of any of the Participant's covenants and agreements in this Agreement will cause such damage as will be irreparable, the exact amount of which would be difficult to ascertain and for which there will be no adequate remedy at law, and accordingly, the parties hereto agree that the Company and its Affiliates shall be entitled as a matter of right to an injunction issued by any court of competent jurisdiction, restraining the Participant or the affiliates, partners or agents of the Participant from such breach or attempted violation of such covenants and agreements, as well as to recover from the Participant any and all costs and expenses sustained or incurred by the Company or any Affiliate in obtaining such an injunction, including, without limitation, reasonable attorneys' fees. The parties to this Agreement agree that no bond or other security shall be required in connection with such injunction. Any exercise by either of the parties to this Agreement of its rights pursuant to this Section 14 shall be cumulative and in addition to any other remedies to which such party may be entitled.

15. **Notices** . All notices and other communications under this Agreement shall be in writing and shall be delivered to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company, unless otherwise designated by the Company in a written notice to the Participant (or other holder):

W&T Offshore, Inc.
Attn: Vice President and General Counsel
5718 Westheimer, Suite 700
Houston, Texas 77057

If to the Participant, at the Participant's last known address on filed with the Company.

Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

16. **Consent to Electronic Delivery; Electronic Signature.** In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

17. **Agreement to Furnish Information.** The Participant agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

18. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the Award granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any Individual Agreement in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of the Participant shall be effective only if it is in writing and signed by both the Participant and an authorized officer of the Company.

19. **Severability and Waiver.** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

20. **Clawback.** Notwithstanding any provision in the Grant Notice, this Agreement or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any SEC rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all shares of Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

21. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF TEXAS LAW.

22. **Successors and Assigns.** The Company may assign any of its rights under this Agreement without the Participant's consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the Person(s) to whom the Award may be transferred by will or the laws of descent or distribution.

23. **Headings.** Headings are for convenience only and are not deemed to be part of this Agreement.

24. **Counterparts.** The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

25. **Section 409A.** Notwithstanding anything herein or in the Plan to the contrary, the Award granted pursuant to this Agreement is intended to be exempt from the applicable requirements of the Nonqualified Deferred Compensation Rules and shall be construed and interpreted in accordance with such intent. Nevertheless, to the extent that the Committee determines that the Award may not be exempt from the Nonqualified Deferred Compensation Rules, then, if the Participant is deemed to be a "specified employee" within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the Award upon his "separation from service" within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the Award provided under this Agreement are exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules.

EXHIBIT B

PERFORMANCE GOAL FOR AWARD

[Insert description or formula for performance goal applicable to Award]

B-3

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement") is entered into as of _____ (the "Effective Date") by and between W&T Offshore, Inc., a Texas corporation (the "Company"), and _____ (the "Indemnitee").

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") has determined that the inability to attract and retain qualified persons as directors and officers of the Company is detrimental to the best interests of the Company's shareholders and that the Company should act to assure such persons that there shall be adequate certainty of protection through insurance and indemnification against risks of claims and actions against them arising out of their service to and activities on behalf of the Company;

WHEREAS, the Company has adopted provisions in its Amended and Restated Articles of Incorporation (as amended and/or restated from time to time, the "Articles of Incorporation") and Third Amended and Restated Bylaws (as amended and/or restated from time to time, the "Bylaws") providing for indemnification and advancement of expenses of its directors (and in the case of the Bylaws, its directors and officers) to the fullest extent permitted by law, and the Company wishes to clarify and enhance the rights and obligations of the Company and the Indemnitee with respect to indemnification and advancement of expenses;

WHEREAS, in order to induce and encourage highly experienced and capable persons such as the Indemnitee to serve and continue to serve as directors and officers of the Company and in any other capacity with respect to the Company as the Company may request, and to otherwise promote the desirable end that such persons shall resist what they consider unjustified lawsuits and claims made against them in connection with the good faith performance of their duties to the Company, with the knowledge that certain costs, judgments, penalties, fines, liabilities, and expenses incurred by them in their defense of such litigation are to be borne by the Company and they shall receive appropriate protection against such risks and liabilities, the Board has determined that the following Agreement is reasonable and prudent to promote and ensure the best interests of the Company and its shareholders; and

WHEREAS, the Company desires to have the Indemnitee serve or continue to serve as a director or officer of the Company and in any other capacity with respect to the Company as the Company may request, as the case may be, free from undue concern for unpredictable, inappropriate, or unreasonable legal risks and personal liabilities by reason of the Indemnitee acting in good faith in the performance of the Indemnitee's duty to the Company; and the Indemnitee desires to continue so to serve the Company, provided, and on the express condition, that he or she is furnished with the protections set forth hereinafter.

AGREEMENT

NOW, THEREFORE, in consideration of the Indemnitee's continued service as a director or officer of the Company, the parties hereto agree as follows, effective as of the original

date on which Indemnitee begins or began his or her service as a director or officer of the Company:

1. Definitions. For purposes of this Agreement:

(a) A “Change in Control” will be deemed to have occurred if, with respect to any particular 24-month period, the individuals who, at the beginning of such 24-month period, constituted the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the beginning of such 24-month period whose election, or nomination for election by the shareholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

(b) “Disinterested Director” means a director of the Company who is not or was not a party to the Proceeding in respect of which indemnification is being sought by the Indemnitee and has no interest in such Proceeding other than as a director.

(c) “Expenses” includes, without limitation, expenses incurred in connection with the defense or settlement of any action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, judicial, administrative, or legislative hearing, or any other threatened, pending, or completed proceeding, whether brought by or in the right of the Company or otherwise, including any and all appeals, whether of a civil, criminal, administrative, legislative, arbitral, investigative (formal or informal), or other nature, attorneys’ fees, witness fees and expenses, fees and expenses of accountants, expert witnesses and other advisors, retainers and disbursements and advances thereon, the premium, security for, and other costs relating to any bond (including cost bonds, appraisal bonds, or their equivalents), and any expenses of establishing a right to indemnification or advancement under Sections 9, 11, 13, and 16 hereof, but shall not include the amount of judgments, fines, ERISA excise taxes, or penalties actually levied against the Indemnitee, or any amounts paid in settlement by or on behalf of the Indemnitee.

(d) “Governing Authority” means the person or group of persons entitled to manage and direct the affairs of the Company with respect to a matter under the Articles of Incorporation, Bylaws or the Texas Business Organizations Code (the “TBOC”). The term includes the Board or other persons authorized to perform the functions of the Board. The term does not include an officer who is acting in the capacity of an officer.

(e) “Governing Person” means a person serving as part of the Governing Authority of the Company.

(f) “Independent Counsel” means a law firm or a member of a law firm that neither is presently nor in the past five years has been retained to represent (i) the Company or the Indemnitee in any matter material to either such party (other than with respect to matters

concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a request for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee’s right to indemnification under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) “Official Capacity” means (a) with respect to a Governing Person, the office of the Governing Person in the Company or the exercise of authority by or on behalf of the Governing Person under the Articles of Incorporation, Bylaws or TBOC, and (b) with respect to a person other than a Governing Person, the elective or appointive office, if any, in the Company held by the person or the relationship undertaken by the person on behalf of the Company.

(h) “Proceeding” means any threatened, pending, or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternative dispute resolution mechanism, investigation, inquiry, judicial, administrative, or legislative hearing, or any other threatened, pending, or completed proceeding, whether brought by or in the right of the Company or otherwise, including any and all appeals, whether of a civil, criminal, administrative, legislative, arbitral, investigative (formal or informal), or other nature, to which the Indemnitee was or is a party or is threatened to be made a party or is otherwise involved in by reason of the fact that the Indemnitee is or was a director, officer, employee, agent, or trustee of the Company or while a director, officer, employee, agent, or trustee of the Company is or was serving at the request of the Company as a director, officer, employee, agent, or trustee of another corporation or of a limited liability company, partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan, or by reason of anything done or not done by the Indemnitee in any such capacity, whether or not the Indemnitee is serving in such capacity at the time any expense, liability, or loss is incurred for which indemnification or advancement can be provided under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

(i) “Texas Court” shall mean the courts of the State of Texas located in Harris County, Texas.

2. Service by the Indemnitee. The Indemnitee shall serve and/or continue to serve as a director or officer of the Company faithfully and to the best of the Indemnitee’s ability so long as the Indemnitee is duly elected or appointed and until such time as the Indemnitee’s successor is elected and qualified or the Indemnitee is removed as permitted by applicable law or tenders a resignation in writing.

3. Indemnification and Advancement of Expenses. The Company shall indemnify and hold harmless the Indemnitee, and shall pay to the Indemnitee in advance of the final disposition of any Proceeding all Expenses incurred by the Indemnitee in defending any such

Proceeding, to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit, all on the terms and conditions set forth in this Agreement. Without diminishing the scope of the rights provided by this Section, the rights of the Indemnitee to indemnification and advancement of Expenses provided hereunder shall include but shall not be limited to those rights hereinafter set forth, except that no indemnification or advancement of Expenses shall be paid to the Indemnitee:

(a) to the extent expressly prohibited by applicable law;

(b) for and to the extent that payment is actually made to the Indemnitee under a valid and collectible insurance policy or under a valid and enforceable indemnity clause, provision of the articles of incorporation or bylaws, or agreement of the Company or any other company or other enterprise (and the Indemnitee shall reimburse the Company for any amounts paid by the Company and subsequently so recovered by the Indemnitee); or

(c) in connection with an action, suit, or proceeding, or part thereof voluntarily initiated by the Indemnitee (including claims and counterclaims, whether such counterclaims are asserted by (i) the Indemnitee, or (ii) the Company in an action, suit, or proceeding initiated by the Indemnitee), except a judicial proceeding pursuant to Section 11 to enforce rights under this Agreement, unless the action, suit, or proceeding, or part thereof, was authorized or ratified by the Board or the Board otherwise determines that indemnification or advancement of Expenses is appropriate.

4. Action or Proceedings Other than an Action by or in the Right of the Company. Except as limited by Section 3 above, the Indemnitee shall be entitled to the indemnification rights provided in this Section if the Indemnitee was or is a party or is threatened to be made a party to, or was or is otherwise involved in, any Proceeding (other than an action by or in the right of the Company) by reason of the fact that the Indemnitee is or was a director, officer, employee, agent, or trustee of the Company or while a director, officer, employee, agent, or trustee of the Company is or was serving at the request of the Company as a director, officer, employee, agent, or trustee of another corporation or of a limited liability company, partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan, or by reason of anything done or not done by the Indemnitee in any such capacity. Pursuant to this Section, the Indemnitee shall be indemnified against all expense, liability, and loss (including judgments, fines, ERISA excise taxes, penalties, amounts paid in settlement by or on behalf of the Indemnitee, and Expenses) actually and reasonably incurred by the Indemnitee in connection with such Proceeding, if (a) the Indemnitee acted in good faith; (b) in a manner the Indemnitee reasonably believed (i) in the case of conduct in his or her Official Capacity, that his or her conduct was in the Company's best interests and (ii) in any other case, that his or her conduct was not opposed to the Company's best interests; and (c) in the case of a criminal Proceeding, did not have a reasonable cause to believe his or her conduct was unlawful.

5. Indemnity in Proceedings by or in the Right of the Company. Except as limited by Section 3 above, the Indemnitee shall be entitled to the indemnification rights provided in this Section if the Indemnitee was or is a party or is threatened to be made a party to, or was or is otherwise involved in, any Proceeding brought by or in the right of the Company to procure a judgment in its favor by reason of the fact that the Indemnitee is or was a director, officer,

employee, agent, or trustee of the Company or while a director, officer, employee, agent, or trustee of the Company is or was serving at the request of the Company as a director, officer, employee, agent, or trustee of another corporation or of a limited liability company, partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan, or by reason of anything done or not done by the Indemnitee in any such capacity. Pursuant to this Section, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee in connection with such Proceeding if (a) the Indemnitee acted in good faith and (b) in a manner the Indemnitee reasonably believed (i) in the case of conduct in his or her Official Capacity, that his or her conduct was in the Company's best interests and (ii) in any other case, that his or her conduct was not opposed to the Company's best interests; provided, however, that no such indemnification shall be made in respect of any claim, counterclaim, issue, or matter as to which the TBOC expressly prohibits such indemnification by reason of any adjudication of liability of the Indemnitee to the Company, unless and only to the extent that a Texas Court or the court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is entitled to indemnification for such expense, liability, and loss as such court shall deem proper.

6. Indemnification for Costs, Charges, and Expenses of Successful Party. Notwithstanding any limitations of Sections 3(c), 4, and 5 above, to the extent that the Indemnitee has been successful, on the merits or otherwise, in whole or in part, in defense of any Proceeding, or in defense of any claim, counterclaim, issue, or matter therein, including, without limitation, the dismissal of any action without prejudice, or if it is ultimately determined, by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal, that the Indemnitee is otherwise entitled to be indemnified against Expenses, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee in connection therewith.

7. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expense, liability, and loss (including judgments, fines, ERISA excise taxes, penalties, amounts paid in settlement by or on behalf of the Indemnitee, and Expenses) actually and reasonably incurred in connection with any Proceeding, or in connection with any judicial proceeding pursuant to Section 11 to enforce rights under this Agreement, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion of such expense, liability, and loss actually and reasonably incurred to which the Indemnitee is entitled.

8. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the maximum extent permitted by applicable law, the Indemnitee shall be entitled to indemnification against all Expenses actually and reasonably incurred by the Indemnitee or on the Indemnitee's behalf if the Indemnitee appears as a witness or otherwise incurs legal expenses as a result of or related to the Indemnitee's service as a director or officer of the Company, in any threatened, pending, or completed action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, judicial, administrative, or legislative hearing, or any other threatened, pending, or completed proceeding, whether of a civil, criminal, administrative, legislative, arbitral, investigative (formal or informal), or other nature, to which the Indemnitee neither is, nor is threatened to be made, a party.

9. Determination of Entitlement to Indemnification. To receive indemnification under this Agreement, the Indemnitee shall submit a written request to the Secretary of the Company. Such request shall include documentation or information that is necessary for such determination and is reasonably available to the Indemnitee. Upon receipt by the Secretary of the Company of a written request by the Indemnitee for indemnification, the entitlement of the Indemnitee to indemnification, to the extent not required pursuant to the terms of Section 6 or Section 8 of this Agreement, shall be determined by the following person or persons who shall be empowered to make such determination (as selected by the Board, except with respect to Section 9(e) below): (a) the Board by a majority vote of Disinterested Directors, whether or not such majority constitutes a quorum; (b) a committee of Disinterested Directors designated by a majority vote of such directors, whether or not such majority constitutes a quorum; (c) if there are no Disinterested Directors, or if the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee; (d) the shareholders of the Company; or (e) in the event that a Change in Control has occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee. Such Independent Counsel shall be selected by the Board and approved by the Indemnitee, except that in the event that a Change in Control has occurred, Independent Counsel shall be selected by the Indemnitee. Upon failure of the Board so to select such Independent Counsel or upon failure of the Indemnitee so to approve (or so to select, in the event a Change in Control has occurred), such Independent Counsel shall be selected upon application to a court of competent jurisdiction. The determination of entitlement to indemnification shall be made and, unless a contrary determination is made, such indemnification shall be paid in full by the Company not later than 60 calendar days after receipt by the Secretary of the Company of a written request for indemnification. If the person making such determination shall determine that the Indemnitee is entitled to indemnification as to part (but not all) of the application for indemnification, such person shall reasonably prorate such partial indemnification among the claims, issues, or matters at issue at the time of the determination.

10. Presumptions and Effect of Certain Proceedings. The Secretary of the Company shall, promptly upon receipt of the Indemnitee's written request for indemnification, advise in writing the Board or such other person or persons empowered to make the determination as provided in Section 9 that the Indemnitee has made such request for indemnification. Upon making such request for indemnification, the Indemnitee shall be presumed to be entitled to indemnification hereunder and the Company shall have the burden of proof in making any determination contrary to such presumption. If the person or persons so empowered to make such determination shall have failed to make the requested determination with respect to indemnification within 60 calendar days after receipt by the Secretary of the Company of such request, a requisite determination of entitlement to indemnification shall be deemed to have been made and the Indemnitee shall be absolutely entitled to such indemnification, absent actual fraud in the request for indemnification. The termination of any Proceeding described in Sections 4 or 5 by judgment, order, settlement, or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself (a) create a presumption that the Indemnitee did not act in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal Proceeding, had reasonable cause to believe his or her conduct was unlawful or (b) otherwise adversely affect the rights of the Indemnitee to indemnification except as may be provided herein.

11. Remedies of the Indemnitee in Cases of Determination Not to Indemnify or to Advance Expenses; Right to Bring Suit. In the event that a determination is made that the Indemnitee is not entitled to indemnification hereunder or if payment is not timely made following a determination of entitlement to indemnification pursuant to Sections 9 and 10, or if an advancement of Expenses is not timely made pursuant to Section 16, the Indemnitee may at any time thereafter bring suit against the Company seeking an adjudication of entitlement to such indemnification or advancement of Expenses, and any such suit shall be brought in a Texas Court. The Company shall not oppose the Indemnitee's right to seek any such adjudication. In any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an advancement of Expenses), it shall be a defense that the Indemnitee has not met any applicable standard of conduct for indemnification set forth in the TBOC, including the standard described in Section 4 or 5, as applicable. Further, in any suit brought by the Company to recover an advancement of Expenses pursuant to the terms of an undertaking, the Company shall be entitled to recover such Expenses upon a final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that the Indemnitee has not met the standard of conduct described above. Neither the failure of the Company (including the Disinterested Directors, a committee of Disinterested Directors, Independent Counsel, or its shareholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the standard of conduct described above, nor an actual determination by the Company (including the Disinterested Directors, a committee of Disinterested Directors, Independent Counsel, or its shareholders) that the Indemnitee has not met the standard of conduct described above shall create a presumption that the Indemnitee has not met the standard of conduct described above, or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of Expenses hereunder, or brought by the Company to recover an advancement of Expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Section 11 or otherwise shall be on the Company. If a determination is made or deemed to have been made pursuant to the terms of Section 9 or 10 that the Indemnitee is entitled to indemnification, the Company shall be bound by such determination and is precluded from asserting that such determination has not been made or that the procedure by which such determination was made is not valid, binding, and enforceable. The Company further agrees to stipulate in any court pursuant to this Section 11 that the Company is bound by all the provisions of this Agreement and is precluded from making any assertions to the contrary. If the court shall determine that the Indemnitee is entitled to any indemnification or advancement of Expenses hereunder, the Company shall pay all Expenses actually and reasonably incurred by the Indemnitee in connection with such adjudication (including, but not limited to, any appellate proceedings) to the fullest extent permitted by law, and in any suit brought by the Company to recover an advancement of Expenses pursuant to the terms of an undertaking, the Company shall pay all Expenses actually and reasonably incurred by the Indemnitee in connection with such suit to the extent the Indemnitee has been successful, on the merits or otherwise, in whole or in part, in defense of such suit, to the fullest extent permitted by law.

12. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of Expenses provided by this Agreement shall not be deemed exclusive of any other right that the Indemnitee may now or hereafter acquire under any applicable law, agreement, vote of

shareholders or Disinterested Directors, provisions of a charter or bylaws (including the Articles of Incorporation or Bylaws of the Company), or otherwise.

13. Expenses to Enforce Agreement. In the event that the Indemnitee is subject to or intervenes in any action, suit, or proceeding in which the validity or enforceability of this Agreement is at issue or seeks an adjudication to enforce the Indemnitee's rights under, or to recover damages for breach of, this Agreement, the Indemnitee, if the Indemnitee prevails in whole or in part in such action, suit, or proceeding, shall be entitled to recover from the Company and shall be indemnified by the Company against any Expenses actually and reasonably incurred by the Indemnitee in connection therewith.

14. Continuation of Indemnity. All agreements and obligations of the Company contained herein shall continue during the period the Indemnitee is a director, officer, employee, agent, or trustee of the Company or while a director, officer, employee, agent, or trustee is serving at the request of the Company as a director, officer, employee, agent, or trustee of another corporation or of a limited liability company, partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan, and shall continue thereafter with respect to any possible claims based on the fact that the Indemnitee was a director, officer, employee, agent, or trustee of the Company or was serving at the request of the Company as a director, officer, employee, agent, or trustee of another corporation or of a limited liability company, partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan. This Agreement shall be binding upon all successors and assigns of the Company (including any transferee of all or substantially all of its assets and any successor by merger or operation of law) and shall inure to the benefit of the Indemnitee's heirs, executors, and administrators.

15. Notification and Defense of Proceeding. Promptly after receipt by the Indemnitee of notice of any Proceeding, the Indemnitee shall, if a request for indemnification or an advancement of Expenses in respect thereof is to be made against the Company under this Agreement, notify the Company in writing of the commencement thereof; but the omission so to notify the Company shall not relieve it from any liability that it may have to the Indemnitee. Notwithstanding any other provision of this Agreement, with respect to any such Proceeding of which the Indemnitee notifies the Company:

(a) The Company shall be entitled to participate therein at its own expense;

(b) Except as otherwise provided in this Section 15(b), to the extent that it may wish, the Company, jointly with any other indemnifying party similarly notified, shall be entitled to assume the defense thereof, with counsel satisfactory to the Indemnitee. After notice from the Company to the Indemnitee of its election so to assume the defense thereof, the Company shall not be liable to the Indemnitee under this Agreement for any expenses of counsel subsequently incurred by the Indemnitee in connection with the defense thereof except as otherwise provided below. The Indemnitee shall have the right to employ the Indemnitee's own counsel in such Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest

between the Company and the Indemnitee in the conduct of the defense of such Proceeding, or (iii) the Company shall not within 60 calendar days of receipt of notice from the Indemnitee in fact have employed counsel to assume the defense of the Proceeding, in each of which cases the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Indemnitee shall have made the conclusion provided for in (ii) above; and

(c) Notwithstanding any other provision of this Agreement, the Company shall not be liable to indemnify the Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without the Company's written consent, or for any judicial or other award, if the Company was not given an opportunity, in accordance with this Section 15, to participate in the defense of such Proceeding. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on or disclosure obligation with respect to the Indemnitee, or that would directly or indirectly constitute or impose any admission or acknowledgment of fault or culpability with respect to the Indemnitee, without the Indemnitee's written consent. Neither the Company nor the Indemnitee shall unreasonably withhold, condition or delay its consent to any proposed settlement.

16. Advancement of Expenses. All Expenses incurred by the Indemnitee in defending any Proceeding described in Section 4 or 5 shall be paid by the Company in advance of the final disposition of such Proceeding at the request of the Indemnitee. The Indemnitee's right to advancement shall not be subject to the satisfaction of any standard of conduct and advances shall be made without regard to the Indemnitee's ultimate entitlement to indemnification under the provisions of this Agreement or otherwise. To receive an advancement of Expenses under this Agreement, the Indemnitee shall submit a written request to the Secretary of the Company. Such request shall reasonably evidence the Expenses incurred by the Indemnitee and shall include or be accompanied by a written affirmation of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under applicable law and an undertaking, by or on behalf of the Indemnitee, to repay all amounts so advanced if it shall ultimately be determined, by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal, that the Indemnitee is not entitled to be indemnified for such Expenses by the Company as provided by this Agreement or otherwise. The Indemnitee's undertaking to repay any such amounts is not required to be secured. Each such advancement of Expenses shall be made within 20 calendar days after the receipt by the Secretary of the Company of such written request. The Indemnitee's entitlement to Expenses under this Agreement shall include those incurred in connection with any action, suit, or proceeding by the Indemnitee seeking an adjudication pursuant to Section 11 of this Agreement (including the enforcement of this provision) to the extent the court shall determine that the Indemnitee is entitled to an advancement of Expenses hereunder.

17. Severability; Prior Indemnification Agreements. If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law (a) the validity, legality, and enforceability of such provision in any other circumstance and of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal, or

unenforceable, that are not by themselves invalid, illegal, or unenforceable) and the application of such provision to other persons or entities or circumstances shall not in any way be affected or impaired thereby, and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent of the parties that the Company provide protection to the Indemnitee to the fullest extent set forth in this Agreement. This Agreement shall supersede and replace any prior indemnification agreements entered into by and between the Company and the Indemnitee and any such prior agreements shall be terminated upon execution of this Agreement.

18. NOTICE OF ASSUMPTION OF LIABILITY. THE COMPANY EXPRESSLY ACKNOWLEDGES THAT THE INDEMNIFICATION CONTAINED IN THIS AGREEMENT REQUIRE ASSUMPTION OF LIABILITY PREDICATED ON THE NEGLIGENCE, GROSS NEGLIGENCE, OR CONDUCT RESULTING IN STRICT LIABILITY OF INDEMNITEE, AND THE COMPANY ACKNOWLEDGES THAT THIS SECTION 18 COMPLIES WITH ANY REQUIREMENT TO EXPRESSLY STATE LIABILITY FOR NEGLIGENCE, GROSS NEGLIGENCE, OR CONDUCT RESULTING IN STRICT LIABILITY IS CONSPICUOUS AND AFFORDS FAIR AND ADEQUATE NOTICE.

19. Headings; References; Pronouns. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof. References herein to section numbers are to sections of this Agreement. All pronouns and any variations thereof shall be deemed to refer to the singular or plural as appropriate.

20. Other Provisions.

(a) This Agreement and all disputes or controversies arising out of or related to this Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Texas, without regard to the laws of any other jurisdiction that might be applied because of conflicts of laws principles of the State of Texas.

(b) This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

(c) This Agreement shall not be deemed an employment contract between the Company and any Indemnitee who is an officer of the Company, and, if the Indemnitee is an officer of the Company, the Indemnitee specifically acknowledges that the Indemnitee may be discharged at any time for any reason, with or without cause, and with or without severance compensation, except as may be otherwise provided in a separate written contract between the Indemnitee and the Company.

(d) In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee (excluding insurance obtained on the Indemnitee's own behalf), and the Indemnitee shall execute

all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

(e) This Agreement may not be amended, modified, or supplemented in any manner, whether by course of conduct or otherwise, except by an instrument in writing specifically designated as an amendment hereto, signed on behalf of each party. No failure or delay of either party in exercising any right or remedy hereunder shall operate as a waiver thereof, and no single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, shall preclude any other or further exercise thereof or the exercise of any other right or power.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Company and the Indemnitee have caused this Agreement to be executed as of the date first written above.

W&T OFFSHORE, INC.

By: _____

Name:

Title:

INDEMNITEE

Signature

Name:

Signature Page to Indemnification Agreement

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tracy W. Krohn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of W&T Offshore, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 8, 2022

/s/ Tracy W. Krohn
Tracy W. Krohn
Chairman, Chief Executive Officer, President and Director
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Janet Yang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of W&T Offshore, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2022

/s/ Janet Yang

Janet Yang
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of W&T Offshore, Inc. (the "Company"), hereby certifies, to the best of his or her knowledge, that the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2022

/s/ Tracy Krohn

Tracy W. Krohn

Chairman, Chief Executive Officer, President and Director
(Principal Executive Officer)

Date: August 8, 2022

/s/ Janet Yang

Janet Yang

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)
