W&T OFFSHORE INC
Form DEF 14A
March 21, 2019
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE

SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

W&T Offshore, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

March 21, 2019

Dear Shareholder:

It is my pleasure to invite you to the 2019 Annual Meeting of Shareholders of W&T Offshore, Inc. to be held on Wednesday, May 1, 2019 at 8:00 a.m., Central Daylight Time, at our offices, Nine Greenway Plaza, Suite 300, Houston, Texas 77046. I hope you will be able to attend.

Details of the business to be conducted at the Annual Meeting are provided in the attached Notice of Annual Meeting and Proxy Statement. Our Board of Directors has determined that owners of record of our Common Stock at the close of business on March 8, 2019 are entitled to notice of, and have the right to vote at, the Annual Meeting and any reconvened meeting following any adjournment or postponement of the meeting.

We have elected to furnish proxy materials to our shareholders on the Internet pursuant to rules adopted by the Securities and Exchange Commission. We believe these rules enable us to provide you with the information you need, while making delivery more efficient, more cost effective and friendlier to the environment. In accordance with these rules, beginning on or about March 21, 2019, we sent a Notice of Internet Availability of Proxy Materials to our shareholders.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to promptly vote using the Internet or telephone voting procedures described on the Notice of Internet Availability of Proxy Materials or vote and submit your proxy by signing, dating and returning the enclosed proxy card in the enclosed envelope (if you have requested a paper copy of the proxy materials). If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

On behalf of the Board of Directors and our employees, I would like to express my appreciation for your continued interest in our affairs. I look forward to greeting as many of you as possible at the meeting.

Sincerely,

Tracy W. Krohn
Chairman of the Board,
Chief Executive Officer

and President

Nine Greenway Plaza, Suite 300

Houston, Texas 77046

Phone (713) 626-8525

Table of Contents

NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 1, 2019

Notice is hereby given that the 2019 Annual Meeting of Shareholders of W&T Offshore, Inc., a Texas corporation, will be held at our offices, Nine Greenway Plaza, Suite 300, Houston, Texas 77046, on May 1, 2019 at 8:00 a.m., Central Daylight Time, for the following purposes:

(1) to elect five directors to hold office until the 2020 Annual Meeting of Shareholders and until their successors are duly elected and qualified;

(2) to ratify the appointment of Ernst & Young LLP as our independent registered public accountants for the year ending December 31, 2019; and

(3) to transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 8, 2019 will be entitled to notice of, and to vote at, the Annual Meeting, or any adjournment or postponement thereof, notwithstanding the transfer of any shares after such date. A list of these shareholders will be open for examination by any shareholder for ten days prior to the Annual Meeting at our principal executive offices at Nine Greenway Plaza, Suite 300, Houston, Texas 77046.

Pursuant to rules adopted by the Securities and Exchange Commission, we have elected to provide access to our proxy solicitation materials primarily via the Internet, rather than mailing paper copies of these materials to each shareholder. On or about March 21, 2019, we will mail to each shareholder a Notice of Internet Availability of Proxy Materials with instructions on how to access the proxy materials, vote or request paper copies. Your vote is important. We urge you to review the accompanying Proxy Statement carefully and to submit your proxy as soon as possible so that your shares will be represented at the meeting.

By Order of the Board of Directors,

Shahid A. Ghauri
Vice President, General Counsel and Corporate Secretary

Houston, Texas

March 21, 2019

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR

THE SHAREHOLDERS MEETING TO BE HELD ON MAY 1, 2019

This Notice of Annual Meeting and Proxy Statement and our Annual Report to Shareholders are available at *www.proxyvote.com.*

Nine Greenway Plaza, Suite 300

Houston, Texas 77046

Phone (713) 626-8525

TABLE OF CONTENTS

Table of Contents

Table of Contents

W&T OFFSHORE, INC.

Nine Greenway Plaza, Suite 300

Houston, Texas 77046

PROXY STATEMENT

2019 ANNUAL MEETING OF SHAREHOLDERS

THE ANNUAL MEETING

This proxy statement is solicited by and on behalf of the Board of Directors (the Board or the Board of Directors) of W&T Offshore, Inc. (the Company) for use at the 2019 Annual Meeting of Shareholders (the Annual Meeting) to be held on May 1, 2019 at the offices of the Company, Nine Greenway Plaza, Suite 300, Houston, Texas 77046, at 8:00 a.m., Central Daylight Time, or at any adjournments or postponements thereof. Unless the context requires otherwise, references in this proxy statement to we, us, our and the Company refer to W&T Offshore, Inc. The solicitation of proxies by the Board will be conducted primarily electronically, or by mail for those shareholders requesting paper copies of proxy materials. Officers, directors and employees of the Company may also solicit proxies personally or by telephone, e-mail or other forms of wire or facsimile communication. These officers, directors and employees will not receive any extra compensation for these services. The Company will reimburse brokers, custodians, nominees and fiduciaries for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of common stock of the Company (the Common Stock). The costs of the solicitation will be borne by the Company. On or about March 21, 2019, we will begin mailing a Notice of Internet Availability of Proxy Materials (the Notice of Availability) containing instructions on how to access the proxy materials and vote online. We will make these proxy materials available to you over the Internet or, upon your request, will deliver paper copies of these materials to you by mail, in connection with the solicitation of proxies by the Board for the Annual Meeting.

Purposes of the 2019 Annual Meeting

The purposes of the Annual Meeting are: (1) to elect five directors to hold office until the 2020 Annual Meeting of Shareholders and until their successors are duly elected and qualified; (2) to ratify the appointment of Ernst & Young LLP as our independent registered public accountants for the year ending December 31, 2019; and (3) to transact such other business as may properly come before the meeting and any adjournment or postponement thereof. Although the Board does not anticipate that any other matters will come before the Annual Meeting, your executed proxy gives the official proxies the right to vote your shares at their discretion on any other matter properly brought before the Annual Meeting.

Voting Rights and Solicitation

Only shareholders of record at the close of business on March 8, 2019 (the Record Date) will be entitled to notice of and to vote at the Annual Meeting. As of the Record Date, there were 140,644,033 shares of Common Stock outstanding, each of which is entitled to one vote on any matter to come before the meeting. Common Stock is the only class of outstanding equity securities of the Company. The holders of issued and outstanding shares representing at least a majority of the outstanding shares of Common Stock, present in person or represented by proxy at the Annual Meeting, will constitute a quorum necessary to hold a valid meeting. The person who is appointed by the chairman of the meeting to be the inspector of election will treat the holders of all shares of Common Stock represented by a returned, properly executed proxy, including shares that abstain from voting, as present for purposes of determining the existence of a quorum at the Annual Meeting. Each share of Common Stock present or represented at the Annual Meeting will be entitled to one vote on any matter to come before the shareholders. If you hold your shares in street name, you will receive instructions from your broker or other nominee describing how to vote your shares. If you do not instruct your broker or nominee how to vote your shares, they may vote your shares as they decide as to each matter for which they have discretionary

Table of Contents

authority under the rules of the New York Stock Exchange (NYSE). For Proposal 2 (*Ratification of the Appointment of Ernst & Young LLP*) to be voted on at the Annual Meeting, brokers and other nominees will have discretionary authority in the absence of timely instructions from you.

There are also non-discretionary matters for which brokers and other nominees do not have discretionary authority to vote unless they receive timely instructions from you. For Proposal 1 (*Election of Directors*) to be voted on at the Annual Meeting, you must provide timely instructions on how the broker or other nominee should vote your shares. When a broker or other nominee does not have discretion to vote on a particular matter, you have not given timely instructions on how the broker or other nominee should vote your shares and the broker or other nominee indicates it does not have authority to vote such shares on its proxy, a broker non-vote results. Although any broker non-vote would be counted as present at the meeting for purposes of determining a quorum, it would be treated as not entitled to vote with respect to non-discretionary matters.

Abstentions occur when shareholders are present at the Annual Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the shareholders are voting.

The following is a summary of the vote required to approve each proposal, as well as the effect of broker non-votes and abstentions.

Item 1 (*Election of Directors*): To be elected, each nominee for election as a director must receive the affirmative vote of a plurality of all votes cast. This means that director nominees with the most votes are elected. Votes may be cast in favor of or withheld from the election of each nominee. Votes that are withheld from a director s election will be counted toward a quorum, but will not affect the outcome of the vote on the election of a director. Broker non-votes will not be taken into account in determining the outcome of the election.

Item 2 (*Ratification of the Appointment of Independent Accountants*): The affirmative vote of a majority of the shares present at the meeting in person or by proxy is required to ratify the appointment of our independent registered public accounting firm. An abstention has the same effect as voting AGAINST the proposal. Brokers have discretionary authority in the absence of timely instructions from their customers to vote on this proposal. As a result, there will be no broker non-votes with respect to this proposal.

The Board has retained Georgeson Inc. (Georgeson) to act as a proxy solicitor in conjunction with the Annual Meeting. We have agreed to pay Georgeson a fee of approximately $8,500, plus reasonable expenses, costs and disbursements for proxy solicitation services.

Voting Procedures

If you are a registered shareholder, you may vote your shares or submit a proxy to have your shares voted by one of the following methods:

By Internet. You may submit a proxy electronically via the Internet, using the website listed on the Notice of Availability. Please have your Notice of Availability, which includes your personal control number, in hand when you log onto the website. Internet voting facilities will close and no longer be available on the date and time specified on the Notice of Availability.

By Telephone. If you request paper copies of the proxy materials by mail, you may submit a proxy by telephone using the toll-free number listed on the proxy card. Please have your proxy card in hand when you call. Telephone voting facilities will close and no longer be available on the date and time specified on the proxy card.

By Mail. If you request paper copies of the proxy materials by mail, you may submit a proxy by signing, dating and returning your proxy card in the pre-addressed envelope provided.

In Person. You may vote in person at the Annual Meeting by completing a ballot; however, attending the meeting without completing a ballot will not count as a vote.

Table of Contents

Revoking Your Proxy

You may revoke your proxy in writing at any time before it is exercised at the Annual Meeting by: (i) delivering to the Corporate Secretary of the Company a written notice of the revocation; (ii) signing, dating and delivering to the Corporate Secretary of the Company a proxy with a later date; or (iii) attending the Annual Meeting and voting your shares in person. Your attendance at the Annual Meeting will not revoke your proxy unless you give written notice of revocation to the Corporate Secretary of the Company before your proxy is exercised or unless you vote your shares in person at the Annual Meeting before your proxy is exercised.

Copies of the Annual Report

Upon written request, we will provide any shareholder, without charge, a copy of our annual report on Form 10-K for the year ended December 31, 2018 (the Form 10-K), but without exhibits. Shareholders should direct requests to W&T Offshore, Inc., Attn: Corporate Secretary, Nine Greenway Plaza, Suite 300, Houston, Texas 77046. The Form 10-K and the exhibits filed with it are available on our website, *www.wtoffshore.com* in the SEC Filings subsection of the Investor Relations section. These materials do not constitute a part of the proxy solicitation material.

Table of Contents

PROPOSAL 1

ELECTION OF DIRECTORS

Currently, the Company s Board is composed of the following five directors: Ms. Virginia Boulet and Messrs. Stuart B. Katz, Tracy W. Krohn, S. James Nelson, Jr. and B. Frank Stanley. At the Annual Meeting, five directors are to be elected, each of whom will serve until the 2020 Annual Meeting and until his or her successor is duly elected and qualified. Each nominee has consented to be nominated and to serve if elected. If any nominee is unable to serve as a director, the shares represented by the proxies will be voted, in the absence of contrary indication, for any substitute nominee that the Board may designate or the size of the Board may be reduced. We know of no reason why any nominee would be unable to serve.

Information about the Nominees

Virginia Boulet, age 65, has served on the Board since March 2005. She is currently Chair of the Nominating and Corporate Governance Committee and a member of the Compensation Committee. From 2004 through 2018, Ms. Boulet was an adjunct professor of law at Loyola University Law School. Since April 2014, she has been employed as Managing Director of Legacy Capital, LLC. From 2002 to March 2014, Ms. Boulet was employed as Special Counsel to Adams and Reese, LLP, a law firm. Prior to 2002, Ms. Boulet was a partner at the law firm Phelps Dunbar, LLP. Ms. Boulet has over 20 years of experience in mergers and acquisitions, equity securities offerings, general business matters and counseling clients regarding compliance with federal securities laws and regulations. Ms. Boulet currently serves on the board of directors of CenturyLink, Inc., a telecommunications company. She also serves as chair of the nominating and corporate governance committee of CenturyLink, as well as a member of the board s compensation committee. Service on this board and its committees has provided her the background and experience of board processes, function, exercise of diligence and oversight of management. In the past, she served as President and Chief Operating Officer of IMDiversity, Inc., an on-line recruiting company. Ms. Boulet received a B.A. in Medieval History from Yale University, and a J.D., cum laude, from Tulane University Law School. With her public company board experience and recruiting experience as president of a recruiting company, Ms. Boulet is well suited as a member of our Board, the Compensation Committee and to the Nominating and Corporate Governance Committee functions of identifying and evaluating individuals qualified to become board members and evaluating our corporate governance policies. Her legal background also provides her with a high level of technical expertise in reviewing transactions and agreements and addressing the myriad of legal issues presented to the Board.

Table of Contents

Stuart B. Katz, age 64, previously served on the Board from 2002 to 2008 and was reappointed to serve on the Board in April 2011. Mr. Katz serves on our Audit Committee, is Chairman of our Compensation Committee and also serves as Presiding Director. Since 2007, Mr. Katz has served as Chief Executive Officer and member of the board of directors of Alconox, Inc., a private company engaged in the manufacturing and marketing of specialty chemicals. From 2001 to 2010, Mr. Katz was a Managing Director of Jefferies Capital Partners (JCP), a private equity investment fund. In 2002, Mr. Katz joined the Board in connection with JCP s investment in the Company. In May 2008, Mr. Katz declined to stand for reelection to the Board in connection with JCP s divestment of its remaining equity interest in the Company. Prior to joining JCP in 2001, Mr. Katz had been an investment banker with Furman Selz LLC and its successors for over 16 years. Mr. Katz received a B.S. in engineering from Cornell University and a J.D. from Fordham Law School. Mr. Katz is a member of the bar of the State of New York. Mr. Katz brings valuable leadership and management skills as a result of his role as Chief Executive Officer of Alconox, as well as a result of his service as a member of the board of directors of a number of other companies, including other public companies. We believe that this experience, as well as the investment management experience he has gained through the ownership of controlling equity positions in connection with his activities with JCP, make him a valuable part of our Board and member of our Audit Committee and Compensation Committee.

Tracy W. Krohn, age 64, has served as Chief Executive Officer and President since he founded the Company in 1983 and as Chairman since 2004 and was also Treasurer from 1997 until 2006. He also served as President of the Company since its founding until September 2008 and again since March 2017. During 1996 to 1997, Mr. Krohn was Chairman and Chief Executive Officer of Aviara Energy Corporation. Mr. Krohn has been actively involved in the oil and gas business since graduating with a B.S. in Petroleum Engineering from Louisiana State University in 1978. He began his career as a petroleum engineer and offshore drilling supervisor with Mobil Oil Corporation. Prior to founding the Company, from 1981 to 1983, Mr. Krohn was Senior Engineer with Taylor Energy Company. In 2013, Mr. Krohn was appointed to serve on the board of directors of the American Petroleum Institute. He also serves on the board of directors of a privately owned company. As founder of the Company, Mr. Krohn is one of the driving forces behind the Company and its success to date. Over the course of the Company s history, Mr. Krohn has successfully grown the Company through his exceptional leadership skills and acute business judgment.

Table of Contents

S. James Nelson, Jr., age 76, has served on the Board since January 2006. He is currently Chair of the Audit Committee. In 2016, he was appointed to replace Mr. Krohn as a member of the Nominating and Corporate Governance Committee. In 2004, Mr. Nelson retired after 15 years of service from Cal Dive International, Inc. (now named Helix Energy Solutions Group, Inc.), a marine contractor and operator of offshore oil and natural gas properties and production facilities, where he was a founding shareholder, Chief Financial Officer from 1990 to 2000, Vice Chairman from 2000 to 2004 and a director from 1990 to 2004. From 1985 to 1988, Mr. Nelson was the Senior Vice President and Chief Financial Officer of Diversified Energies, Inc. and from 1980 to 1985 was the Chief Financial Officer of Apache Corporation, an oil and gas exploration and production company. From 1966 to 1980, Mr. Nelson was employed with Arthur Andersen & Co., where he became a partner in 1976. Mr. Nelson received a B.S. in Accounting from Holy Cross College and holds a M.B.A. from Harvard University. He is also a certified public accountant. Additionally, since 2004, Mr. Nelson has served on the boards of directors and audit committees of Oil States International, Inc., a diversified oilfield service company, and ION Geophysical, a seismic services provider. From 2005 until the company s sale in 2008, he was also a member of the board of directors and compensation and audit committees of Quintana Maritime LTD, a provider of dry bulk shipping services based in Athens, Greece, and from 2010 to 2012, he served as a member of the board of directors and audit and compensation committees of Genesis Energy, LP, a midstream master limited partnership. Mr. Nelson has an extensive background in public accounting both from his time as a partner at Arthur Andersen & Co. and his time as Chief Financial Officer at various companies. Mr. Nelson s service on audit committees of other companies enables him to remain current on audit committee best practices and current financial reporting developments within the energy industry. We believe these experiences and skills qualify him to serve as the Chair of our Audit Committee and a member of the Nominating and Corporate Governance Committee.

B. Frank Stanley, age 64, has served on the Board since 2009. Mr. Stanley serves as a member of our Audit, Compensation and Nominating and Corporate Governance Committees. He is currently Co-Chief Executive Officer and Chief Financial Officer of Retail Concepts, Inc., a privately-held retail chain of 31 stores in 11 states with over seven hundred employees. Prior to joining Retail Concepts, Inc. in 1988, he was Chief Financial Officer of Southpoint Porsche Audi WGW Ltd. from 1987 to 1988. From 1985 to 1987, he was employed by KPMG Peat Marwick, holding the position of Manager, Audit in 1987. From 1983 to 1984, he was Chief Financial Officer of Design Research, Inc., a manufacturer of housing for offshore drilling platforms. From 1980 to 1982, he was Chief Financial Officer of Tiger Oilfield Rental Co., Inc. and, from 1977 to 1979, he was an accountant with Trunkline Gas Co. Mr. Stanley holds a B.B.A. in Accounting from Texas A&M University and is a certified public accountant. Mr. Stanley has an extensive background in accounting and financial matters, which qualify him for service as a member of our Board and Audit, Compensation, and Nominating and Corporate Governance Committees.

Recommendation of the Board

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE FIVE NOMINEES LISTED ABOVE.

Table of Contents

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The Audit Committee of the Board (the Audit Committee) appointed Ernst & Young LLP (EY), independent registered public accountants, to audit our consolidated financial statements as of and for the year ending December 31, 2019. We are advised that no member of EY has any direct or material indirect financial interest in our Company or, during the past three years, has had any connection with us in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

If the appointment is not ratified, the Audit Committee will consider the appointment of other independent registered public accountants. A representative of EY is expected to be present at the Annual Meeting, will be offered the opportunity to make a statement if the representative desires to do so and will be available to respond to appropriate questions.

Recommendation of the Board

THE BOARD RECOMMENDS THAT YOU VOTE FOR RATIFICATION OF THE APPOINTMENT OF EY AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS.

Table of Contents

CORPORATE GOVERNANCE

Corporate Governance Guidelines; Code of Business Conduct and Ethics

A complete copy of the Company s corporate governance guidelines, which the Board reviews at least annually, is posted under the Leadership Governance subsection of the About Us section of the Company s website at *www.wtoffshore.com* and is available in print to any shareholder who requests it. The Board has adopted a Code of Business Conduct and Ethics that applies to all employees, officers and directors. A complete updated version copy of the Code of Business Conduct and Ethics is posted on the Company s website at *www.wtoffshore.com* and is available in print to any shareholder who requests it. Any amendments to the Code of Business Conduct and Ethics will be posted on the Company s website at *www.wtoffshore.com* under the Leadership Governance subsection of the About Us section.

Independence

After reviewing the qualifications of our current directors and nominees, and any relationships they may have with the Company that might affect their independence, the Board has determined that each director and nominee, other than Mr. Krohn, is independent as that concept is defined by the NYSE s Listed Company Manual. In making the determinations of director independence, the Board considered the relationship described below.

Board Leadership Structure

Tracy W. Krohn serves as the Company s Chairman, Chief Executive Officer and President and controls approximately 32.70% of the outstanding shares of Common Stock. The Board believes its leadership structure is justified by the efficiencies of having the Chief Executive Officer and President also serve in the role of Chairman of the Board, as well as due to Mr. Krohn s role in founding the Company and his significant ownership interest in the Company. Stuart B. Katz is the independent director who has been elected to serve as the presiding director of the Board.

Standing Committees of the Board

The Board has three standing committees the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The Audit Committee was established in accordance with the NYSE rules and regulations and meets the requirements of Section 3(a)(58)(A) of the Exchange Act.

Audit Committee

Messrs. Nelson, Katz and Stanley sit on the Company s Audit Committee. Mr. Nelson is Chair of the Audit Committee. The Board has determined that each of Messrs. Nelson, Katz and Stanley are independent under the standards of both the NYSE and Section 10A of the Exchange Act and are financially literate and Mr. Nelson has been designated as the audit committee financial expert, as defined under Item 407 of Regulation S-K promulgated under the Exchange Act.

The Audit Committee establishes the scope of and oversees the annual audit, including recommending the independent registered public accountants that audit the Company s financial statements and approving any other services provided by the independent registered public accountants. The Audit Committee also assists the Board in fulfilling its oversight responsibilities by (1) overseeing the Company s system of financial reporting, auditing, controls and legal compliance, (2) overseeing the operation of such system and the integrity of the Company s financial statements, overseeing the qualifications, independence and performance of the outside auditors and any internal auditors who the Company may engage, and (3) periodically reporting to the Board concerning the activities of the Audit Committee. In performing its obligations, it is the responsibility of the Audit Committee to

Table of Contents

maintain free and open communication between it, the Company s independent auditors, the internal audit function and the management of the Company. The Audit Committee s functions are further described under the heading Proposal 2, Ratification of Appointment of Independent Accountants Audit Committee Report. A copy of the Audit Committee s Charter is posted under the Leadership Governance subsection of the About Us section of the Company s website at *www.wtoffshore.com* and is available in print to any shareholder who requests it.

Nominating and Corporate Governance Committee

Ms. Boulet and Messrs. Nelson and Stanley serve as members of the Nominating and Corporate Governance Committee of the Board. Ms. Boulet is Chair of the Nominating and Corporate Governance Committee. All of these individuals qualify as (i) independent under NYSE listing standards, Section 10C of the Exchange Act, and the Company s corporate governance guidelines, (ii) non-employee directors under Rule 16b-3 promulgated under the Exchange Act and (iii) outside directors under Section 162(m). The purpose of the Nominating and Corporate Governance Committee is to nominate candidates to serve on the Board and to recommend director compensation. Once the Nominating and Corporate Governance Committee has recommended director compensation, the Board accepts or rejects the recommendation. The factors and processes used to select potential nominees are more fully described in the section entitled Identifying and Evaluating Nominees for Directors. The Nominating and Corporate Governance Committee is also responsible for monitoring a process to annually assess Board effectiveness, developing and implementing corporate governance guidelines and taking a leadership role in regulating the corporate governance of the Company. A copy of the Nominating and Corporate Governance Committee s Charter is posted on the Company s website at *www.wtoffshore.com* and is available in print to any shareholder who requests it.

Compensation Committee

Ms. Boulet and Messrs. Katz and Stanley serve as members of the Compensation Committee. Mr. Katz is the Chair of the Compensation Committee. All of these individuals qualify as (i) independent under NYSE listing standards, Section 10C of the Exchange Act, and the Company s corporate governance guidelines, (ii) non-employee directors under Rule 16b-3 promulgated under the Exchange Act and (iii) outside directors under Section 162(m).

The Compensation Committee performs an annual review of the compensation and benefits of the executive officers and senior management, establishes and reviews general policies related to employee compensation and benefits and administers the W&T Offshore, Inc. Amended and Restated Incentive Compensation Plan, as amended (the Incentive Compensation Plan) and the W&T Offshore, Inc. 2004 Directors Compensation Plan (as amended, the Directors Compensation Plan). Under the terms of its charter, the Compensation Committee also determines the compensation for Mr. Krohn, the Chief Executive Officer and President of the Company. The Compensation Committee has the power to delegate some or all of its power and authority in administering the Incentive Compensation Plan of the Company to the Chief Executive Officer, other senior members of management or committee or subcommittee, as the Committee deems appropriate; however, the Compensation Committee may not delegate its authority to an individual with regard to any matter or action under the Incentive Compensation Plan for an officer that is subject to Section 16 of the Exchange Act. If you would like additional information on the responsibilities of the Compensation Committee, please refer to its charter, which is available on our website at *www.wtoffshore.com* under the Leadership Governance subsection of the About Us section of our website and is available in print to any shareholder who requests it.

Table of Contents

Risk Oversight

Our Board oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The involvement of the full Board in setting the Company s business strategy is a key part of its assessment of management s tolerance for risk and also a determination of what constitutes an appropriate level of risk for the Company.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company s internal auditors. In addition, in setting compensation, the Compensation Committee strives to create incentives that encourage a level of risk-taking behavior consistent with the Company s business strategy.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are set forth above. The Compensation Committee is comprised entirely of independent directors. In addition, none of the Company s executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our Board or Compensation Committee.

Consulting Fees and Services and Conflicts of Interest

The Compensation Committee selects our compensation consultants and other Compensation Committee advisors taking into consideration the factors identified by the SEC rules and regulations and the NYSE listing standards. At the August 2017 meeting of the Compensation Committee, the Compensation Committee elected to continue to utilize Meridian Compensation Partners, LLC as the Company s executive compensation consultant for 2018. Other than services involving only broad-based non-discriminatory plans or providing survey information, neither our current nor our prior compensation consultant provided non-executive compensation consulting services to the Company in an amount in excess of $120,000 in 2018. The Compensation Committee has concluded that the work of our compensation consultants has not raised any conflict of interest. Please read Compensation Discussion and Analysis Role of the Compensation Committee, its Consultants and Management for more information about the role of our compensation consultant in our executive compensation programs.

Meetings of the Board and the Committees of the Board

During 2018, the Board held six meetings, the Compensation Committee held nine meetings, the Nominating and Corporate Governance Committee held one meeting and the Audit Committee held five meetings. All of the directors attended at least 75% of the meetings of the Board and at least 75% of the meetings of the committees on which they served during 2018.

The Company s directors are encouraged to attend the Annual Meeting, but the Company does not otherwise have a policy regarding such attendance. All directors were present at the Annual Meeting held in 2018.

Table of Contents

Legal Proceedings

Currently, no director or executive officer, to our knowledge, is a party to any material legal proceeding adverse to the interests of the Company. Additionally, to our knowledge no director or executive officer has a material interest in a material proceeding adverse to the Company.

Director Nomination Process

The Nominating and Corporate Governance Committee will consider all properly submitted shareholder recommendations of candidates for election to the Board. Pursuant to Section 12 of the Company s Bylaws, any shareholder may nominate candidates for election to the Board by giving timely notice of the nomination to the Corporate Secretary of the Company. The Company s Bylaws require that any such shareholder must be a shareholder of record at the time it gives notice of the nomination. To be considered a timely nomination, the shareholder s notice must be delivered to the Corporate Secretary at the Company s principal office no later than 90 days prior to the first anniversary of the preceding year s Annual Meeting and no earlier than 120 days prior to the first anniversary of the preceding year s Annual Meeting. In evaluating the recommendations of the shareholders for director nominees, as with all other possible director nominees, the Nominating and Corporate Governance Committee will address the criteria set forth below under the heading Identifying and Evaluating Nominees for Directors.

Any shareholder recommendations for director nominees should include the candidate s name, qualifications and written consent to being named in the proxy statement and to serving on the Board if elected. The shareholder must also include any other business that the shareholder proposes to bring before the meeting, the reasons for conducting such business at the meeting, any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made. Additionally, the shareholder must provide his name and address, the name and address of any beneficial owner on whose behalf the shareholder is acting and the number of shares of Common Stock beneficially owned by the shareholder and any beneficial owner for whom the shareholder is acting. Such written notice should be sent to:

Shahid A. Ghauri, Esq.

Corporate Secretary

W&T Offshore, Inc.

Nine Greenway Plaza, Suite 300

Houston, Texas 77046

Identifying and Evaluating Nominees for Directors

The Nominating and Corporate Governance Committee is responsible for leading the search for individuals qualified to serve as directors. The Nominating and Corporate Governance Committee evaluates candidates for nomination to the Board, including those recommended by shareholders, and conducts appropriate inquiries into the backgrounds and qualifications of possible candidates. The Nominating and Corporate Governance Committee then recommends nominees to the Board to be presented for election as directors at meetings of the shareholders or of the Board. As indicated above, shareholders may recommend possible director nominees for consideration to the Nominating and Corporate Governance Committee.

In evaluating nominees to serve as directors on the Board and in accordance with the Company s Corporate Governance Guidelines, the Nominating and Corporate Governance Committee selects candidates with the appropriate skills and characteristics required of Board members. Pertinent to this inquiry is the following non-exhaustive list of factors: independent business or professional experience; integrity and judgment; records of public service; ability to devote sufficient time to the affairs of the Company; diversity of background, experience and competencies that the Board desires to have represented; age; skills; occupation; and understanding of financial statements and financial reporting systems.

The Nominating and Corporate Governance Committee will also consider and weigh these factors in light of the current composition and needs of the Board.

Table of Contents

Director Compensation

Directors who are also employees of the Company receive no additional compensation for serving as directors or committee members. The Board and shareholders adopted the Directors Compensation Plan, which provides that the Compensation Committee may grant stock options or restricted or unrestricted stock to non-employee directors. A total of 666,918 shares of Common Stock were initially reserved for issuance under the Directors Compensation Plan; as of December 31, 2018, a total of 128,980 shares remain available for issuance under the Directors Compensation Plan.

We provide each of the non-employee directors of the Company the following compensation:

(i) an annual retainer of $110,000, payable in equal quarterly installments;

(ii) at each annual meeting of shareholders, a restricted stock grant pursuant to the Company s Directors Compensation Plan covering shares of Common Stock of the Company having a fair market value (calculated as of the close of trading on the NYSE on the date of the annual board meeting) equal to $70,000;

(iii) compensation of $1,500 for each meeting of the Board or any Board committee meeting attended;

(iv) compensation of $1,000 for each Board unanimous written consent executed;

(v) compensation of $1,500 for each day that a Board member attends a seminar (up to two seminars a year) concentrating on matters relating to responsibilities of Board members;

(vi) compensation of $5,000 each year for serving on any committee of the Board (except Chair of the Audit Committee);

(vii) compensation of $5,000 each year for serving as chair of any committee of the Board (except Chair of the Audit Committee);

(viii) compensation of a one-time fee of $10,000 for serving on any Special Committee of the Board that may be formed; and

(ix) compensation of $15,000 each year for serving as Chair of the Audit Committee.

The terms of the restricted stock grant are as set forth in the Company s Directors Compensation Plan, with restrictions lapsing with respect to one-third of the shares subject to the restricted stock grant on each of the first, second and third anniversary dates of the date of grant. Vesting of awards would be accelerated upon a change of control (as defined in the Director Compensation Plan). Restricted shares are subject to forfeiture until vested and cannot be sold, transferred or otherwise disposed of during the restriction period. The director generally will have the same rights of a shareholder with respect to such shares, including the right to vote and receive dividends or other distributions paid with respect to the shares. The director must remain in service on the Board during the restriction period to retain the shares. If the director leaves prior to expiration of the restricted period, then the award will be forfeited unless otherwise affirmatively determined by the Board.

Table of Contents

The following table sets forth a summary of the compensation the Company paid to its non-employee directors in 2018:

2018 Director Compensation Table

Name	Fees Earned or Paid in Cash	Stock Awards (1)(2)	Total
Virginia Boulet	$ 154,500	$ 70,000	$ 224,500
Stuart B. Katz (3)	159,000	70,000	229,000
S. James Nelson, Jr. (4)	153,500	70,000	223,500
B. Frank Stanley	162,000	70,000	232,000

(1) The amounts reflect the grant date fair value of stock awarded during 2018, calculated in accordance with Financial Accounting Standards Board s Accounting Standards Codification Topic 718 (ASC Topic 718), except that the amounts shown assume that there will be no service-based forfeitures of awards. The discussion of the assumptions used in calculating these values can be found in Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC.
(2) As of December 31, 2018, each director has the following aggregate number of outstanding shares of unvested restricted stock accumulated for all years of service as a director: Virginia Boulet 45,458 shares; Stuart B. Katz 45,458 shares; S. James Nelson, Jr. 45,458 shares; and B. Frank Stanley 45,458 shares.
(3) The cash fees earned by Mr. Katz were paid to Stuart Capital LLC, a wholly-owned designee of Mr. Katz.
(4) The cash fees earned by Mr. Nelson were paid to FSD Corporation, a wholly-owned designee of Mr. Nelson.

Director Stock Ownership Guidelines. Effective as of January 1, 2011, our Board adopted amendments to the director stock retention guidelines (the Director Policy), which applies to each of our non-employee directors. Under the Director Policy, no such director may sell or transfer any shares of Common Stock that such director beneficially owns (e.g., by a spouse or other immediate family member residing in the same household or a trust for the benefit of the director or his or her family) until he or she beneficially owns a number of shares of Common Stock, having an aggregate value of at least $500,000. Each of our Board members is currently in compliance with the Director Policy.

Communications with the Board

At each regular meeting of the Board, the non-employee directors meet in scheduled executive sessions without management. The non-employee directors elected Stuart B. Katz as the Presiding Director of those meetings. As set forth on the Company s website (*www.wtoffshore.com* under the Leadership Governance subsection of the About Us section), interested parties who would like to contact Mr. Katz on a confidential basis may do so by sending an email to Presiding_Director@wtoffshore.com or by mailing a written communication to Presiding Director, W&T Offshore, Inc., Nine Greenway Plaza, Suite 300, Houston, Texas 77046.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of Common Stock as of March 8, 2019, based on the 140,644,033 shares of Common Stock outstanding on that date, of (i) the Company s named executive officers (which includes the chief executive officer, chief financial officer, three most highly compensated additional executive officers and two former executive officers), directors and director nominees, (ii) all executive officers and directors of the Company as a group, and (ii) each person who beneficially owns more than 5% of the Company s Common Stock. Unless otherwise indicated, each of the persons below has sole voting and investment power with respect to the shares beneficially owned by such person. To the knowledge of the Company, no person or entity holds more than 5% of the outstanding shares of Common Stock, except as set forth in the following table.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned (1)	Percent of Outstanding Common Stock
Tracy W. Krohn	45,997,298	32.7%
Virginia Boulet	196,783	*
Stuart B. Katz	215,499	*
S. James Nelson, Jr.	152,754	*
B. Frank Stanley	162,063	*
Janet Yang	26,996	*
Stephen L. Schroeder	439,951	*
Shahid A. Ghauri	1,000	*
William J. Williford	66,286	*
John D. Gibbons (2)	391,899	*
Thomas P. Murphy (3)	178,088	*
Directors and Executive Officers as a Group (10 persons) (4)	47,313,349	33.6%
The Vanguard Group Inc. (5) 100 Vanguard Blvd Malvern, Pennsylvania 19355	8,988,628	6.4%
State Street Corporation (6) State Street Financial Center One Lincoln Street Boston, MA 02111	7,980,192	5.7%
Renaissance Technologies LLC (7) 800 Third Avenue New York, New York 10022	7,105,400	5.1%

* Less than one percent.

(1) Under the regulations of the SEC, shares are deemed to be beneficially owned by a person if he directly or indirectly has or shares the power to vote or dispose of, or to direct the voting of or disposition of, such shares,

whether or not he has any pecuniary interest in such shares, or if he has the power to acquire such power through the exercise of any option, warrant or right, which is presently exercisable or convertible or will be within 60 days of the measurement date.

(2) Mr. Gibbons retired from the Company and ceased to be an officer in August 2018. The information contained herein is based solely on information provided in a Form 4 filed with the SEC on December 19, 2017, by the Company, reflecting direct ownership of Common Stock as of December 18, 2017.

(3) Mr. Murphy left the Company and ceased to be an officer in November 2018. The information contained herein is based solely on information provided in a Form 4 filed with the SEC on December 19, 2017, by the Company, reflecting direct ownership of Common Stock as of December 18, 2017.

Table of Contents

(4) The number of directors and executive officers, shares of Common Stock and percent of outstanding Common Stock shown includes all directors and executive officers of the Company providing service as of December 31, 2018.

(5) Based solely on information provided in a Schedule 13G filed with the SEC on February 12, 2019, by The Vanguard Group, Inc. (VGI), reflecting beneficial ownership of Common Stock as of December 31, 2018. According to this filing, VGI has sole voting power with regard to 93,534 shares of Common Stock, shared voting power with regard to 7,018 shares of Common Stock, sole dispositive power with regard to 8,988,628 shares of Common Stock and shared dispositive power with regard to 88,333 shares of Common Stock. The reported shares of Common Stock include 81,315 shares of Common Stock beneficially owned by Vanguard Fiduciary Trust Company, a wholly owned subsidiary of VGI, as a result of its serving as investment manager of collective trust accounts, and 19,237 shares of Common Stock beneficially owned by Vanguard Investments Australia, Ltd., a wholly owned subsidiary of VGI, as a result of its serving as an investment manager of Australian investment offerings. The principal business address of these entities is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(6) Based solely on information provided in a Schedule 13G filed with the SEC on February 14, 2019, by State Street Corporation. State Street Corporation has sole voting power with respect to 0 shares of Common Stock, shared voting power with respect to 7,522,735 shares of Common Stock, sole dispositive power with respect to 0 shares of Common Stock and shared dispositive power with respect to all 7,980,192 shares of Common Stock. The address for State Street Corporation is State Street Financial Center, One Lincoln Street Boston, MA 02111.

(7) Based solely on information provided in a Schedule 13G filed with the SEC on February 13, 2019, by Renaissance Technologies LLC. The shares are owned by Renaissance Technologies LLC (RTC) and beneficially owned by Renaissance Technologies Holdings Corporation (RTHC) because of RHTC s majority ownership of RTC. RTC and RTHC have sole voting power and sole dispositive power over the shares of Common Stock. The address for these entities is 800 Third Avenue, New York, New York 10022.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers and beneficial owners of more than 10% of our Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of our Common Stock. SEC rules require these persons to furnish us copies of all Section 16(a) reports they file. To our knowledge, based solely on a review of the copies of such reports furnished to us during 2018 and written representations that no other reports were required with respect to 2018, all of our directors and officers and beneficial owners complied with applicable Section 16(a) filing requirements, except that Messrs. Nelson, Katz and Stanley and Ms. Boulet had delinquent filings on Form 4 for transactions involving grants under the Directors Compensation Plan that occurred on May 2, 2018, as a result of an administrative error by the Company, which handled those filings for the directors.

Table of Contents

EQUITY COMPENSATION PLAN INFORMATION

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information with respect to the equity compensation plans available to directors, officers, certain employees and certain consultants of the Company at December 31, 2018.

Plan category (1)	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans, excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	3,355,917	N/A(2)	8,625,655
Equity compensation plans not approved by security holders			
Total	3,355,917	N/A	8,625,655

(1) Our equity compensation plans are the Amended and Restated Incentive Compensation Plan and the Directors Compensation Plan. Column (a) consists of restricted stock units (RSUs or restricted stock units) granted and unvested. Column (c) consists of shares available for issuance under both equity compensation plans excluding amounts in column (a).

(2) Restricted stock and restricted stock units are the only securities currently granted under the equity compensation plans. Such securities are not subject to exercise; as a result, column (b) is not applicable.

16

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis provides a general description of our compensation program and specific information about its various components, which are largely base salaries, short- and long-term incentive and retention programs, retirement plans and health and welfare benefits. This Compensation Discussion and Analysis also provides information about our Chief Executive Officer and President, Chief Financial Officer and each of the Company s other three most highly compensated executive officers (the Named Executive Officers), and is intended to place in perspective the information contained in the executive compensation tables that follow this discussion.

Throughout this discussion, the following individuals are referred to as the Named Executive Officers and are included in the Summary Compensation Table and other compensation tables that follow this Compensation Discussion and Analysis:

Tracy W. Krohn Chairman, Chief Executive Officer and President

Janet Yang Executive Vice President and Chief Financial Officer

Stephen L. Schroeder Senior Vice President and Chief Technical Officer

Shahid A. Ghauri Vice President, General Counsel and Corporate Secretary

William J. Williford Executive Vice President, General Manager of Gulf of Mexico

John D. Gibbons Former Senior Vice President and Chief Financial Officer (through August 2018)

Thomas P. Murphy Former Senior Vice President and Chief Operations Officer (through November 2018)

John D. Gibbons retired from the Company and ceased to be an officer in August 2018, whereupon the Company appointed Janet Yang, Vice President, Corporate & Business Development of the Company, as the Company s acting Chief Financial Officer and acting Principal Accounting Officer. The Company appointed Ms. Yang Executive Vice President and Chief Financial Officer in November 2018.

Thomas P. Murphy left the Company and ceased to be an officer in November 2018, whereupon the Company appointed William J. Williford (General Manager Gulf of Mexico Shelf and Deepwater) as the Company s Executive Vice President and General Manager of Gulf of Mexico, and David M. Bump (Vice President, Drilling and Completions) as the Company s Executive Vice President, Drilling, Completions and Facilities, to assume and expand upon Mr. Murphy s previous duties.

Although Mr. Gibbons and Mr. Murphy no longer serve as officers of the Company, the SEC disclosure rules continue to identify them as Named Executive Officers for the last completed fiscal year. Therefore, all references to the Named Executive Officers within these compensation disclosures will include references to Mr. Gibbons and Mr. Murphy.

Compensation Philosophy and Objectives

The primary objectives of our compensation program for the Named Executive Officers are to attract, as needed, and retain the best possible executive talent, to stimulate the Named Executive Officers efforts on our behalf in a way that supports our financial performance objectives and business strategy, and to align their incentives with enhancement of shareholder value. In particular, our compensation program for Named Executive Officers is designed to reward superior job performance and individual initiative to help increase our profitability, oil and gas reserves, production rates, Adjusted EBITDA, which we define as earnings before interest, taxes and depreciation, depreciation and amortization excluding unrealized gain or loss related to our

Table of Contents

derivative contracts, extinguishment of debt, litigation settlements and other items, and Adjusted EBITDA Margin, which we define as Adjusted EBITDA divided by revenues for the period, to appropriately manage lease operating expenses (LOE) and general and administrative (G&A) expense and various other key operational and health, safety, environmental and regulatory (HSE&R) metrics. Under its charter, the Compensation Committee sets the compensation of our Chief Executive Officer and President and reviews and approves the evaluation process and the compensation of our other Named Executive Officers. The Compensation Committee has approved metrics by which each Named Executive Officer s cash incentives and stock-related incentives will be awarded through our incentive plans.

Appropriately setting compensation metrics, goals and objectives in the oil and gas exploration industry, in the view of the Compensation Committee, presents certain unusual challenges because the operational and financial results of the Company are so heavily influenced by changes in commodity prices over which the management has no direct influence. The Compensation Committee recognizes, however, that the influence of changes in commodity prices can be ameliorated somewhat by entering into commodity derivatives contracts (which, in certain circumstances, creates another set of risks). As a result, the Compensation Committee believes that goals utilized to incentivize management should be reviewed annually for possible revision in light of changing commodity prices. For example, an Adjusted EBITDA metric may be significantly higher or lower than the prior year s target and yet be a meaningful goal, the obtaining of which is in the shareholders best interest. The Compensation Committee believes that rigidly retaining the Adjusted EBITDA target set for a prior year during periods of substantially higher commodity prices could act as a significant management disincentive. Conversely, an Adjusted EBITDA target may be set significantly higher than the prior year in light of commodity price increases which in the context of many other businesses would represent an unrealistic increase in a fundamental financial metric.

The Compensation Committee applied the following compensation strategies in connection with its deliberations:

- To compensate the Named Executive Officers so that their aggregate compensation compares favorably with the total compensation of executives at peer group companies as well as companies with similar areas of operations and/or revenues in the oil and gas industry.

- To provide a component of the total target compensation of the Named Executive Officers in the form of equity-based incentive compensation awarded as a function of our performance in an effort to encourage retention and so that over time our Named Executive Officers have a meaningful financial interest which is identically aligned with our shareholders interests.

- To provide incentive compensation (both short and long-term) awards that are subject to well-defined performance-based targets, as approved by the Compensation Committee.

Role of the Compensation Committee, its Consultants and Management

Our Board has entrusted the Compensation Committee to carry out its overall responsibility relating to the compensation of our senior executives, including our Named Executive Officers. During 2018, our Chief Executive Officer and President also played an important role in the executive compensation process by overseeing the performance and dynamics of the executive team and generally keeping the Compensation Committee informed. All final approvals regarding our Named Executive Officers compensation remain with the Compensation Committee. The Compensation Committee has the authority to engage the services of outside advisors, experts and others to assist in performing its responsibilities. It selects our compensation consultants and other advisors taking into consideration the factors identified by the SEC rules and regulations and the NYSE listing standards, as described in greater detail within the Corporate Governance section above. In August 2017, the Compensation Committee retained Meridian Compensation Partners, LLC (Meridian), an independent consulting firm experienced in executive and overall compensation practices and policies, to assist in calibrating the form and amount of executive compensation for the 2018 compensation program by providing market data.

Table of Contents

In August of 2018, the Compensation Committee again retained Meridian to perform similar compensation functions for the 2019 compensation program. Using the independence factors established by the SEC and the NYSE, the Compensation Committee determined that Meridian s work did not raise any conflicts of interest, and they are considered an independent consulting firm.

The Compensation Committee typically works with our Chief Executive Officer to implement and promote our executive compensation strategy. The most significant aspects of management s involvement in this process are:

- preparing meeting agendas and materials in advance of Compensation Committee meetings for review by the Compensation Committee members;
- evaluating employee performance;
- meeting with compensation consultants, legal counsel or other advisors as directed by the Compensation Committee;
- recommending our business goals, subject to approval by the Compensation Committee;
- providing background information regarding our business goals; and
- recommending the compensation arrangements and components for our employees, including Named Executive Officers.

The Compensation Committee, together with the assistance and recommendation of our Chief Executive Officer, compensation consultants and any legal counsel or other advisors deemed appropriate by the Compensation Committee, typically reviews and discusses each particular executive compensation component presented and approves the compensation of the Named Executive Officers other than our Chief Executive Officer. In the case of our Chief Executive Officer, the Compensation Committee reviews and discusses each compensation component, together with compensation consultants and any counsel, other advisors or members of management deemed appropriate by the Compensation Committee. The Compensation Committee considers the advice of the compensation consultant as only one factor in setting compensation of our Named Executive Officers, as actual compensation decisions are the result of the Compensation Committee s subjective analysis of a number of factors. Following this review, the Compensation Committee, meeting without management in attendance, sets the salary and other compensation of our Chief Executive Officer.

Market Analysis

When making compensation decisions, the Compensation Committee considers comparative compensation information of select peer and industry companies as a reference in its review and approval of compensation for our Named Executive Officers. This review is done with respect to both the structure of our executive compensation program as well as the targeted amount of compensation.

Prior to structuring executive compensation for 2017, the Compensation Committee sought presentations from a number of leading compensation consultants. As a result of that selection process, we retained Meridian in August 2017 as an independent compensation consultant to provide competitive executive compensation analysis and establish the 2018 compensation program. Meridian provided us a competitive compensation analysis based on a proprietary and confidential industry compensation survey, the Meridian 2018 North America Oil and Gas Exploration and Production Compensation Survey. The data comprised all survey participants with assets between approximately \$1 billion to \$5 billion as of June 1, 2018. Management and the Compensation Committee supplemented Meridian s survey with publicly available peer compensation data. In October 2018, the Compensation Committee reviewed the peer group used in 2017, which was based on companies having market capitalizations, revenues and areas of oil and gas operations similar to the Company. Certain companies were included at that time with larger capitalizations because of their principal location in Texas and the fact that they compete with us for personnel. Of the companies included in our 2017 peer group list, four of the companies were delisted as of December 31, 2018 and have been excluded from the 2018 peer group:

Carrizo Oil & Gas Inc.

Jones Energy, Inc.

Northern Oil & Gas, Inc.

Resolute Energy Corp.

Ring Energy, Inc.

Ultra Petroleum Corp.

In October 2018, Meridian provided us an update of its compensation analysis and overview of compensation practices based on a published survey source. The Compensation Committee examined data at the 50th and 75th percentiles for each executive position and for each pay component. Using this market data, the Compensation Committee set total compensation, consisting of cash and equity, by generally targeting the 50th percentile for a comparable position, while also recognizing that compensation for any specific employee is not purely a mechanical equation.

The competitive compensation information is just one of the inputs used in setting executive compensation, as the Compensation Committee has discretion in determining the nature and extent of its use. When exercising its discretion, the Compensation Committee may consider factors such as the nature of officer s duties and responsibilities as compared to the corresponding position in the survey and peer group, the experience and value the officer brings to the role, the officer s performance results, demonstrated success in meeting key financial and other business objectives and the amount of the officer s pay relative to the pay of his or her peers within our company. In setting compensation for 2018, the Compensation Committee used 2017 and 2018 compensation data as it deemed appropriate.

Elements of Executive Compensation

Our Named Executive Officers compensation currently has three primary components base salary, annual cash incentive compensation and long-term incentive compensation. Pursuant to the Incentive Compensation Plan, we may grant cash incentive awards, stock-based awards or a combination of both. In 2010, we established cash incentive awards and performance-based RSU awards. Each component of the compensation program is designed to serve a particular purpose. Base salary is primarily designed to reward current and past performance and may be adjusted from time to time to realign salaries with market levels. Annual cash incentive awards are granted to incentivize our Named Executive Officers largely to assist us in achieving our annual performance goals, as well as, to a lesser degree, to achieve their individual performance goals.

The long-term award is designed with two main goals in mind: (i) to align the interests of Named Executive Officers and shareholders by creating a mechanism through which the executives are reasonably likely to build a substantial equity oriented financial interest in the Company and (ii) retention. The Compensation Committee believes that by personally owning a significant equity interest in the Company, the executives interests are better aligned with the shareholders. In designing the 2018 long-term incentive compensation plan the Compensation Committee took note of the fact that the Chief Executive Officer and President owns a significant equity interest in the Company. Accordingly, in the judgment of the Compensation Committee there could not have been a better alignment between the most senior officer s interests and those of the shareholders regarding his pursuit of development of projects with appropriate long-term risk/reward and the best potential for long term value creation for the shareholders. The overarching alignment between the interests of the Chief Executive Officer and President and the shareholders allowed the Compensation Committee the flexibility to design a hybrid long-term incentive plan.

Table of Contents

In addition, there is a retention element in the design of our plan because the long-term awards vest over a three-year period (consisting of the year in which the award is made and two years thereafter). While the long-term awards are subject to performance criteria, the targets for such criteria are chosen to ensure that the Company has obtained reasonable financial results during the year, but they are not intended to be stretch targets. The Company does not provide purely retention-oriented equity grants as do many of its competitors. The Compensation Committee included the performance criteria in the long-term awards to make the achievement of the award more demanding than a purely retention-oriented grant, yet less demanding than some long-term equity incentive plans because of the belief that it helps align the executives interest with those of the shareholders if they personally own a significant amount of equity interest in the Company. The Compensation Committee believes it has generally achieved its goals in setting the long-term incentive performance targets. The Compensation Committee notes that the Company achieved results which allowed the Named Executive Officers to earn their respective awards in only two of the last four years.

In addition, our Named Executive Officers participate in the benefit plans and programs that are generally available to all employees of the Company and receive perquisites and other personal benefits, all of which are intended to be part of a competitive overall compensation program. Particularly with respect to our Chief Executive Officer and President, we consider his perquisites and other benefits to be a material element of his overall compensation package, and the value of such benefits are considered the same as cash compensation when we make decisions regarding his salary, annual cash incentive compensation and long-term incentive compensation awards.

Base Salary

Base salaries for our Named Executive Officers are established based on their role within the Company and the scope of their responsibilities, taking into account the market compensation paid by the peer group and survey companies described above. Their base salaries are reviewed annually and adjusted from time to time to realign salaries with those market levels after taking into account individual responsibilities, performance, experience and/or cost of living.

Annual Cash Incentive Compensation

We grant annual cash incentive awards pursuant to the Incentive Compensation Plan. For 2018, as in 2017, our executive annual incentive cash awards program (the Cash Incentive Awards) was designed to align executive officer pay with the Company s financial performance, as well as performance against important short-term initiatives. The Cash Incentive Awards reward our Named Executive Officers based on the achievement of company objectives (the Performance Metrics).

In 2018, we modified the Cash Incentive Awards in two ways to better align the Cash Incentive Awards with metrics that we believe more directly impact the Company s operational performance and profitability. We did this by increasing accountability at the project level, significantly emphasizing the importance of safe operations and creating more individual reward potential for employees to encourage entrepreneurial and results-driven thinking and behavior. The first change expanded the Performance Metrics applicable to the 2018 Cash Incentive Award by adding four new metrics to the previous year s Performance Metrics that were focused on production, reserves, LOE, G&A and Adjusted EBITDA margin, each measured on a corporate level. We also added a corporate level HSE&R metric as well as three other operational metrics related to project-level capital expenditures, production timing and reserves estimates. The Performance Metrics for the 2018 year are detailed below. The second change was intended to focus more directly on individual performance by deleting the individual performance metric that was part of the 2017 awards and replacing it with an individual performance multiplier (Individual Performance Multiplier) that gives greater weight to individual performance and contribution. As a result, the Cash Incentive Award is adjusted by the Individual Performance Multiplier.

Table of Contents

The use of the Individual Performance Multiplier is a material change in our approach to compensation. Previously, our compensation plan included a metric for individual performance; however, the impact of overall compensation was not as significant as our approach for 2018. The change in approach provides a useful and easily applied mechanism to reward those employees who are truly making an outsized contribution to the Company as well as to alert those employees who are not performing at acceptable standards at every seniority level.

For 2018, the total Cash Incentive Awards payable by the Company to its employees was subject to a limit of $12.3 million, as approved by the Compensation Committee. The limit on the total incentive awards payments was established primarily based on targeted Cash Incentive Awards for all employees assuming a 1.0 Individual Performance Multiplier and achieving the target objective for each of the Performance Metrics.

Generally, Named Executive Officers will receive an individual performance score for the year based on a scale of 1 to 5, expressed in increments of tenths, which will correspond to an Individual Performance Multiplier scale from 0 to 1.9 as follows:

Individual Performance Score:	1.0	2.0	2.1	3.0	4.0	5.0
Individual Performance Multiplier:	0.0	0.0	.10	.53	1.0	1.9

Mr. Williford s Individual Performance Multiplier range was slightly different from the table above and ranged from 0.0 to 1.75.

The 2018 Cash Incentive Award provides for an annual cash payment equal to an established target cash incentive amount (annual base salary multiplied by a target percentage identified in the table below for each executive), multiplied by a total performance score for the Company (between 0% and 200% using straight-line interpolation) as determined by a set of pre-defined Performance Metrics, multiplied by an Individual Performance Multiplier (between 1 and 1.9). However, if the individual performance score is 2 or less, or the Performance Metrics have, in the aggregate, resulted in less than the threshold levels for the year, no award will become payable for the year.

The Compensation Committee designed the 2018 Cash Incentive Awards with an additional overall financial metric that will work in combination with the 2018 Performance Metrics. In summary, once we determine the amount that each Named Executive Officer has earned (based on the 2018 Performance Metrics and the Individual Performance Multiplier) we will generally be required to make the payment only if and when we achieve an Adjusted EBITDA less interest expense incurred in an amount exceeding $200 million as of the end of any fiscal quarter on or before December 31, 2020 plus the three consecutive preceding fiscal quarters, as reported in our Earnings Release. The Compensation Committee added this unusual condition to the payment of the Cash Incentive Awards in recognition of the fact that significant and rapid changes in commodity prices can present extremely difficult conditions and the Company needs to protect its liquidity while such conditions persist. This formulation of the Cash Incentive Award allows the executives to retain the possibility to benefit from their accomplishments if and when the industry and the Company recover from such dislocation. While the Compensation Committee in its sole discretion retains the right to pay any Cash Incentive Award otherwise earned regardless of whether such financial condition is achieved, it has never done so.

The Individual Performance Multiplier was determined for every employee who received a 2018 Cash Incentive Award at year-end in conjunction with an end-of-year performance assessment, with the exception of our Chief Executive Officer. Mr. Krohn s Individual Performance Multiplier was set at 1.9 at the time the 2018 Incentive Compensation plan was adopted by the Compensation Committee.

Table of Contents

For the Named Executive Officers (other than Mr. Gibbons, who did not receive a 2018 grant), the fiscal 2018 target cash incentive amounts as a percent of base salary were as follows:

Named Executive Officer	2018 Target Cash Incentive Amount as a % of Base Salary
Tracy W. Krohn	100%
Janet Yang	75%*
Stephen L. Schroeder	75%
Shahid A. Ghauri	90%
William J. Williford	75%
John D. Gibbons	N/A
Thomas P. Murphy	40%

* The percentage of base salary targets for 2018 for the short-term awards was adjusted for Ms. Yang during the 2018 year in recognition of her increased duties and responsibilities in connection with her promotion. Amounts shown in the table above reflect final percentages for the 2018 year.

The 2018 award was contingent upon our attainment of the following Performance Metrics, provided, however, the 2018 Incentive Cash Award was subject to an additional overall financial metric that must be achieved on or before December 31, 2020, as described above, as well as the Individual Performance Multiplier.

Business Criteria	Threshold Objective	Threshold Weighting	Target Objective	Target Weighting	Maximum Objective	Maximum Weighting
Production (1)	12.80 MMBoe	10.0%	13.45 MMBoe	20.0%	14.8 MMBoe or greater	40.0%
Reserve (2)	Proven reserves of 70.5 MMBoe at 2018 year-end	7.5%	Proven reserves of 74.2 MMBoe at 2018 year-end	15.0%	Proven reserves of 77.9 MMBoe at 2018 year-end	30.0%
LOE and G&A (3)	$17.18 per Boe	5.0%	$16.36 per Boe	10.0%	$13.00 or less per Boe	20.0%
HSE&R Score (4)	3 Pts	2.5%	6 pts	5.0%	9 pts.	10.0%
Cost Control on Capex Spent on Wells and P&A Projects (5)	125%	10.0%	100%	20.0%	85%	40.0%
Wells Coming Online on Time (6)	60 days after expected date	5.0%	0 days from expected date	10.0%	60 days ahead of expected date	20.0%
Post Drill P50 Reserves vs. Pre Drill P50 Reserves	75%	5.0%	100%	10.0%	125%	20.0%

(7)

Company Criterion	Threshold Objective	Threshold Weighting	Target Objective	Target Weighting	Maximum Objective	Maximum Weighting
Adjusted EBITDA Margin Percentage (8)	50% for year 2018	5.0%	54% for year 2018	10.0%	60% or greater for year 2018	20.0%
Totals		50%		100.0%		200.0%

(1) Production amounts are based upon production on a MMBoe basis for the 2018 fiscal year, but taking into account the effect of property sales, if applicable, as determined by the Compensation Committee. MMBoe is defined as one million barrels of oil equivalent.

(2) The threshold, target and maximum levels for the Reserves are based upon ending reserves on a MMBoe basis for the 2018 fiscal year, excluding the effect of property sales, if applicable, as determined by the Compensation Committee.

(3) The threshold, target and maximum levels for the LOE and G&A are determined on a per Boe basis (excluding hurricane expenses, insurance credits for such expenses and/or other extraordinary events).

(4) HSE&R Score will be measured in points, as described in the following table using the defined terms below:

HSE&R Score Calculation Details

Combined HSE Score: 0 to 9 points

TRIR Performance Level		**Points**
0.35	Maximum	3
0.42	Target	2
0.49	Threshold	1
Spill Performance Level		**Points**
0.08	Maximum	3
0.15	Target	2
1	Threshold	1
INC Performance Level		**Points**
0.025	Maximum	3
0.031	Target	2
0.036	Threshold	1

Total Recordable Incident Rate (TRIR): Total Number of Recordable Cases (occupational injury requiring medical treatment) multiplied by 200,000 divided by total hours worked by all employees during the year covered.

Spill ratio: Barrels spilled / millions of barrels produced.

INC to Component Ratio: Number of Incidents of Non-Compliance (INCs) divided by number of components inspected by the Bureau of Safety and Environmental Enforcement (BSEE).

(5) Cost Control on Capex Spent on Wells and P&A Projects. Actual capex and P&A costs divided by pre-drill/authorization for expenditure (AFE) estimates (based on drilling JV, Budget and/or AFEs) for all capex required to drill, complete and hookup new wells and other capex and P&A expense that individually contribute 5% or more to the total capex and P&A costs for 2018. Metric will be weighted on project by project basis (25%) and cumulative basis, adjusted for timing and other changes to the capex and P&A program (75%).

(6) Wells Coming Online on Time. Actual date minus pre-drill estimated timing of initial production (based on drilling JV, Budget and/or AFEs) on a project by project basis. Total points per well dependent on number of wells that come online in 2018.

(7) Post Drill P50 Reserves vs. Pre Drill P50 Reserves. Post drill P50 reserves versus Pre drill P50 reserves, both on a PV-10 basis (as a percentage of pre-drill estimates; at same price deck; comparison on revenue from reserves before expenses basis to account for changes in oil/gas mix). Metric will be weighted on both project by project (25%) and cumulative basis (75%).

(8) Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by total revenues for the period. EBITDA is defined as net income plus income tax expense, net interest expense, depreciation, depletion, amortization, and accretion. Adjusted EBITDA excludes the unrealized gain or loss related to our derivative contracts, gain or loss on extinguishment of debt, gains or losses in connection with litigation settlements, and other items that are, in the sole discretion of the Compensation Committee appropriate adjustments to reflect normalized results.

Attaining or exceeding the Performance Metrics is not assured and requires significant effort by our Named Executive Officers and other employees. Where the actual performance achieved is between threshold, target and maximum objectives, the Company interpolates (using straight-line interpolation) the Award Percentage for any given

Performance Metric.

Long-Term Incentive Compensation

We granted performance-based RSU awards and long-term performance-based cash incentive awards to each of the Named Executive Officers during 2018. These awards are eligible for vesting if certain identified targets are obtained. Once eligible for performance vesting, they will vest on or around December 14th of the second calendar year following the year in which the date of grant occurs.

For 2018, the Compensation Committee designed the long-term incentive around two important metrics, Adjusted EBITDA and Adjusted EBITDA margin (each metric of which is described above). As compared to the prior year, the Adjusted EBITDA metric was set 11% higher and the Adjusted EBITDA Margin metric was increased from 50% to 52% in order to earn 100% of the award.

The Compensation Committee believes that these metrics are appropriate because the Company sells a commodity product whose price is set by a world market outside the executives control. Further, the prices of

Table of Contents

the commodities we sell are subject to substantial volatility. Accordingly, it makes more sense to set the long-term incentive goals each year as opposed to choosing targets for which commodity price swings can lead to unintentional outsized favorable or unfavorable results. In addition, to the extent that the Compensation Committee considers a portion of the goal of the long-term incentive to be retention, we believe it is important to choose goals that are reasonably obtainable.

In 2018, we modified the way in which of our long-term incentive awards were settled in order to prevent excessive share dilution as a result of the grant of RSU awards, and we put an upper ceiling on the issuance of shares in connection with our annual long-term incentive compensation. The number of RSUs to be granted depends on the fair value of our Common Stock price, which is based on a pre-determined trading range set in the future. Therefore, it is unknown until the grant how many shares of our Common Stock could eventually be used to settle awards. Accordingly, with respect to the 2018 long-term performance-based RSUs, we determined that a maximum of 1,000,000 shares of our Common Stock may be granted to our employee population upon vesting. A portion of the 1,000,000 shares of Common Stock was allocated to each employee based on the employee s total performance-based long-term incentive award value as a percentage the total of all employees total long-term incentive award value. The remaining value of the long-term incentive award value was a cash-based award. All grants of RSUs and cash-based long-term incentive awards were subject to the 2018 performance metrics established at the time of the award.

For 2018, the combination of the target RSU grant and the target cash incentive award value were set as a percentage of the Named Executive Officer s base salary for the year, as set forth in the table below.

When determining the size of the awards, we consider the proportion of equity-based incentives to salary and cash incentives as compared to proportions granted by the peer group and survey companies. For 2018, we determined that the size of each Named Executive Officer s target RSU and cash award grant would be based upon a specific percentage of the officer s 2018 base salary, taking into consideration the fact that the normal vesting schedule for each award will be on or around December 14th of the second calendar year following the year in which the date of grant occurs.

Named Executive Officer	2018 RSU Grant + Cash Incentive Award as a % of Base Salary
Tracy W. Krohn	200%
Janet Yang	45%
Stephen L. Schroeder	67%
Shahid A. Ghauri	67%
William J. Williford	41%
John D. Gibbons	N/A
Thomas P. Murphy	67%

The performance-based RSUs and long-term cash incentive award granted in 2018 were contingent upon meeting various performance measures for the 2018 calendar year. Forty percent of each of the 2018 RSU grants (the Adjusted EBITDA Portion) was subject to the following targets for the 2018 calendar year:

Adjusted EBITDA Performance Level ($ in thousands)	% of Adjusted EBITDA Portion Available for Vesting
Level 1: $260,000 or greater (Target)	100%
Level 2: $200,000	75%
Level 3: $90,000	50%
Level 4: Less than $90,000	0%

Table of Contents

Sixty percent of each of the 2018 long-term incentive grants (the Adjusted EBITDA Margin Portion) was subject to the following targets for 2018:

Adjusted EBITDA Margin Performance Level	% of Adjusted EBITDA Margin Portion Available for Vesting
Level 1: 52% or greater (Target)	100%
Level 2: 50%	75%
Level 3: 45%	50%
Level 4: 40%	25%
Level 5: Less than 40%	0%

Where the actual performance achieved is between performance levels, we interpolate (using straight-line interpolation) the award percentage.

If at least a threshold performance level is satisfied as described above with respect to the 2018 year, the RSUs and the long-term cash incentive award remain subject to a time-based vesting requirement that will not be fully satisfied until December 14, 2020.

Other Compensation and Benefits. All of our Named Executive Officers are eligible to participate in all of our employee benefit plans, such as medical, dental, group life, disability, accidental death and dismemberment insurance and our 401(k) plan, in each case on the same basis as all other employees. These benefits are provided so as to assure that we are able to maintain a competitive position in terms of attracting and retaining executive officers and other employees.

Perquisites and Other Personal Benefits. We provide our Named Executive Officers with perquisites and other personal benefits that the Company and the Compensation Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain superior employees for key executive positions.

The value of such benefits is a very small percentage of total compensation for all Named Executive Officers with the exception of our Chief Executive Officer. Under an arrangement between the Company and the Chief Executive Officer, which was originally entered into in 2004 and subsequently amended in 2010, Mr. Krohn is entitled to the use of Company- chartered aircraft for personal travel for security reasons and to facilitate efficient personal and business travel. In addition, an aircraft personally owned by Mr. Krohn may be chartered by the Company and used by Mr. Krohn for any purpose. The Company reflects the amounts attributable to Mr. Krohn s personal aircraft usage within All Other Compensation in the Summary Compensation Table that follows. In 2018, Mr. Krohn s aircraft was used by the Company or Mr. Krohn for 239.2 flight hours. Aggregate incremental cost, if any, of travel by Mr. Krohn s family or other guests when accompanying Mr. Krohn on both business and non-business occasions is also included in the Summary Compensation Table when applicable.

Setting Executive Compensation in 2018

Base Salary. The base salary of each Named Executive Officer is reviewed annually by the Compensation Committee. Please see Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards. Increases to the Chief Executive Officer s salary are established by the Compensation Committee (and ratified by the Board), and for our other Named Executive Officers, our Chief Executive Officer recommends salary increases, which are reviewed and approved by the Compensation Committee.

Table of Contents

For 2018, the primary factor in determining the amount of base salaries was the Compensation Committee s subjective assessment of individual performance of each of our Named Executive Officers. The Compensation Committee also reviewed the comparative compensation data discussed above to assess the reasonableness of the base salary amounts in light of the officer s duties and responsibilities as compared to similarly situated officers. As a result of this review, the base salaries were not increased for the 2018 year other than with respect to our Named Executive Officers that received promotions and were given additional duties during the 2018 year. In addition, with respect to Mr. Krohn s 2018 base salary, the Compensation Committee took into consideration the fact that the employment agreement we entered into in 2010 with Mr. Krohn provides him with aircraft benefits each year. This benefit, while not a fixed amount in any given year, is deemed to be a material aspect of Mr. Krohn s compensation package. The Compensation Committee takes the cash value of this benefit into consideration when reviewing Mr. Krohn s base salary against his peers, and determined that, in addition to the reasons discussed above, during the 2018 year Mr. Krohn should not receive any increases in his base salary or target cash award percentage. The base salary amounts for each of the Named Executive Officers for the 2018 and 2017 years were as follows:

Named Executive Officer	2018 Base Salary	2017 Base Salary
Tracy W. Krohn	$ 1,000,000	$ 1,000,000
Janet Yang	240,000	227,108
Stephen L. Schroeder	374,000	374,000
Shahid A. Ghauri	340,000	340,000
William J. Williford		