W&T OFFSHORE INC
Form DEF 14A
March 22, 2018
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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.

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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March 22, 2018

Dear Shareholder:

It is my pleasure to invite you to the 2018 Annual Meeting of Shareholders of W&T Offshore, Inc. to be held on Wednesday, May 2, 2018 at 8:00 a.m., Central Daylight Time, at the offices of the Company, 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 13, 2018 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 22, 2018, 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

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NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 2, 2018

Notice is hereby given that the 2018 Annual Meeting of Shareholders of W&T Offshore, Inc., a Texas corporation, will be held at the offices of the Company, Nine Greenway Plaza, Suite 300, Houston, Texas 77046 on May 2, 2018 at 8:00 a.m., Central Daylight Time, for the following purposes:

(1) to elect five directors to hold office until the 2019 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, 2018; 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 13, 2018 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 22, 2018, 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 22, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR

THE SHAREHOLDERS MEETING TO BE HELD ON MAY 2, 2018

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

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W&T OFFSHORE, INC.

Nine Greenway Plaza, Suite 300

Houston, Texas 77046

PROXY STATEMENT

2018 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. for use at the 2018 Annual Meeting of Shareholders (the Annual Meeting) to be held on May 2, 2018 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 22, 2018, 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 2018 Annual Meeting

The purposes of the Annual Meeting are: (1) to elect five directors to hold office until the 2019 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, 2018; 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 13, 2018 (the Record Date) will be entitled to notice of and to vote at the Annual Meeting. As of the Record Date, there were 139,091,289 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

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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 is also a non-discretionary matter 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 is not treated as a vote entitled to be cast and therefore is not counted for purposes of determining whether a majority has been achieved. 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.

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.

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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, 2017 (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.

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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 2019 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 64, 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. Ms. Boulet is 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.

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Stuart B. Katz, age 63, 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 63, has served as Chief Executive Officer since he founded the Company in 1983, as President from 1983 until 2008 and again starting in March 2017, as Chairman of the Board since 2004 and as Treasurer from 1997 until 2006. 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. From 1996 to 1997, Mr. Krohn was also Chairman and Chief Executive Officer of Aviara Energy Corporation in Houston, Texas. 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 keen business judgment.

S. James Nelson, Jr., age 75, 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.

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B. Frank Stanley, age 63, 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 32 stores in 13 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.

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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, 2018. 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.

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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 on 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 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.

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.

Mr. Stanley served as a trustee for the Krohn Children Trust No. 1 (the Children Trust), a trust which was set up by Mr. Krohn for the benefit of his children, until the Children Trust was dissolved on June 30, 2017. Mr. Stanley earned $400 in compensation for serving as trustee of the Children Trust in 2017.

Board Leadership Structure

Tracy W. Krohn serves as the Company s Chairman, Chief Executive Officer and President and controls approximately 32.64% of the outstanding shares of Common Stock. The Board believes its leadership structure is justified by the efficiencies of having the Chief Executive Officer 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.

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 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 on 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 Incentive Compensation Plan and the Directors Compensation Plan adopted in 2004 (the Directors Compensation Plan). Under the terms of its charter, the Compensation Committee also determines the compensation for Mr. Krohn, the Chief Executive Officer 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* and is available in print to any shareholder who requests it.

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.

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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. After conducting an interview process, at the August 2016 meeting of the Compensation Committee, the Compensation Committee selected Meridian Compensation Partners, LLC as the Company s executive compensation consultant for 2017. 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 2017. 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 2017, the Board held five meetings, the Compensation Committee held four meetings, the Nominating and Corporate Governance Committee held two meetings and the Audit Committee held four 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 2017.

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 2017.

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

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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.

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 2004 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 2004 Directors Compensation Plan; as of December 31, 2017, a total of 170,524 shares remain available for issuance under that 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;

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(ii) at each annual meeting of shareholders, a restricted stock grant pursuant to the Company s 2004 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); and

(viii) 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 2004 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 2004 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.

The following table sets forth a summary of the compensation the Company paid to its non-employee directors in 2017:

2017 Director Compensation Table

Name	Fees Earned or Paid in Cash	Stock Awards (1)(2)	Total
Virginia Boulet	$ 145,500	$ 70,000	$ 215,500
Stuart B. Katz (3)	148,500	70,000	218,500
S. James Nelson, Jr. (4)	148,500	70,000	218,500
B. Frank Stanley	151,500	70,000	221,500

(1) The amounts reflect the grant date fair value of stock awarded during 2017, 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, 2017 filed with the SEC.

(2) As of December 31, 2017, 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 61,632 shares; Stuart B. Katz 61,632 shares; S. James Nelson, Jr. 61,632 shares; and B. Frank Stanley 61,632 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

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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 are 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*), 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.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of Common Stock as of March 13, 2018, based on the 139,091,289 shares of Common Stock outstanding on that date, of (i) the Company s Chief Executive Officer, Chief Financial Officer and each of the Company s other three most highly compensated executive officers, (ii) each of the Company s directors and nominees, (iii) all executive officers and directors of the Company as a group, and (iv) 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	45,395,013	32.64%
Virginia Boulet	179,447	*
Stuart B. Katz	205,113	*
S. James Nelson, Jr.	142,368	*
B. Frank Stanley	151,677	*
John D. Gibbons	391,899	*
Thomas P. Murphy	178,088	*
Stephen L. Schroeder	312,684	*
Shahid A. Ghauri		*
Directors and Executive Officers as a Group (9 persons)	46,956,289	33.76%

* 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.

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 2017 and written representations that no other reports were required with respect to 2017, these persons complied with applicable Section 16(a) filing requirements; except that a correction to Form 4 regarding one report, covering a total of one transaction initially filed in 2017, was filed by Ms. Boulet.

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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, 2017.

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	5,765,251	N/A(2)	7,769,065
Equity compensation plans not approved by security holders			
Total	5,765,251	N/A	7,769,065

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

(2) The securities granted under the plans are restricted stock and restricted stock units, which do not have an exercise price.

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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, 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

John D. Gibbons Senior Vice President and Chief Financial Officer

Thomas P. Murphy Senior Vice President and Chief Operations Officer

Stephen L. Schroeder Senior Vice President and Chief Technical Officer

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

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 and Adjusted EBITDA Margin and to appropriately manage lease operating expenses (LOE) and general and administrative (G&A) expense. Under its charter, the Compensation Committee sets the compensation of our Chief Executive Officer 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. In that effort, 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 over 50% of the total target compensation of the Named Executive Officers in the form of equity-based incentive compensation based upon 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 the Board s overall responsibility relating to the compensation of our senior executives, including our Named Executive Officers. During 2017, our

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Chief Executive Officer 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. For the 2017 compensation program, in August 2016, 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, as applicable, by providing market data. In August of 2017, the Compensation Committee again retained Meridian to perform similar compensation functions for the 2018 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

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in August 2016 as an independent compensation consultant to provide competitive executive compensation analysis in connection with establishing the 2017 compensation program. Meridian provided us a competitive compensation analysis based on a proprietary and confidential industry compensation survey, the Meridian 2016 North America Oil and Gas Exploration and Production Compensation Survey. The data comprised all survey participants with assets between approximately one and five billion as of June 1, 2016. Management supplemented Meridian s survey with publicly available peer compensation data. In August 2016, the Compensation Committee reviewed the peer group used in 2016, 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. Three of the companies in our 2016 peer group were delisted as of December 31, 2017 and have been excluded from this 2017 peer group:

Bill Barrett Corp.

Carrizo Oil & Gas Inc.

Erin Energy Corp.

EXCO Resources Inc.

Jones Energy, Inc.

Northern Oil & Gas, Inc.

Resolute Energy Corp.

Ring Energy, Inc.

Stone Energy Corp.

Ultra Petroleum Corp.

In 2016, 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 50 and 75 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 2017, the Compensation Committee used 2016 and 2017 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 much lesser degree, to achieve their individual performance goals. In designing the 2017 long-term incentive compensation plan the Compensation Committee took note of the fact that the Chief Executive Officer owned 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 senior most officer s interests and those of the shareholders regarding the Chief Executive Officer s 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 the shareholders has allowed the Compensation Committee the flexibility to design a hybrid long-term incentive plan. Accordingly, the performance-based RSU 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 addition, there is a retention element in the design of our plan because the equity interest vests over a three-year period (consisting of the year in which the award is made and two years thereafter). While the RSU awards are subject to performance criteria, the targets for such criteria are usually chosen to ensure that the Company has met reasonable expectations during the respective period, but they are not designed as stretch targets . The Company does not provide purely retention oriented equity grants as do many of its competitors. The Compensation Committee designed the performance criteria to be more demanding than a purely retention-oriented grant provided by competitors, 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 achieved its goals in setting the long-term incentive performance targets in 2017, as the Company achieved results which allowed the Named Executive Officers to earn substantially all, but not all, of the award. The design of the long-term incentive RSU award being subject to performance criteria has the added benefit of making the payments tax deductible to us (to the extent the awards are grandfathered for purposes of the Section 162(m) performance-based compensation exception, as described in greater detail below). This deductibility is a benefit not found in the structure of many of our competitors incentive plans.

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, we consider his perquisites and other benefits to be a material element of his overall compensation package, and the value of such benefits hold significant weight 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 2017, as in 2016, 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 and individual performance objectives (the Performance Metrics). Under the plan, the Compensation Committee establishes threshold, target and maximum award payout opportunities for each Named Executive Officer as a percentage of annual base salary (the target cash incentive amount) at certain levels of performance.

In summary, the Incentive Compensation Plan provides for an annual cash payment equal to an established target cash incentive amount, multiplied by an award percentage (the Award Percentage) (between 0% and 200%) as determined by a set of pre-defined goals using straight-line interpolation. More specifically, if threshold performance is achieved for all Performance Metrics, including individual performance, then the Named Executive Officer would generally be entitled to receive 50% of his or her target cash incentive amount. If target performance is achieved for all Performance Metrics, then the Named Executive Officer is generally entitled to receive 100% of his or her target cash incentive amount. Maximum performance results in the Named Executive Officer being generally entitled to receive 200% of the Named Executive Officer s target cash incentive amount. If the performance achieved for all Performance Metrics does not result in the achievement of at least the threshold level of performance, then the Named Executive Officer is not entitled to any Cash Incentive Award.

The Compensation Committee designed the 2017 Cash Incentive Awards with an additional overall financial metric that will work in combination with the 2017 Performance Metrics. In summary, once we determine the amount that each Named Executive Officer has earned (based on the 2017 Performance Metrics) we will generally be required to make the payment only 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, 2019 plus the three preceding fiscal quarters, as reported in our Earnings Release. The Compensation Committee added this unusual condition in order for there to be a payment of the Cash Incentive Awards in recognition of the extremely difficult industry conditions as well as our interest in maintaining liquidity while these 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 our company recover. However, 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.

For the Named Executive Officers, the fiscal 2017 target cash incentive amounts as a percent of base salary were set at the same level as the targets that were set for 2016, except for Mr. Ghauri, who was not employed by the Company during 2016. These percentages were as follows:

Named Executive Officer	2017 Target Cash Incentive Amount as a % of Base Salary
Tracy W. Krohn	100%
John D. Gibbons	90%
Thomas P. Murphy	80%
Stephen L. Schroeder	75%
Shahid A. Ghauri	75%

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The 2017 Award Percentage was contingent upon our attainment of the following Performance Metrics, provided, however, the 2017 Incentive Cash Award was subject to an additional overall financial metric that must be achieved on or before December 31, 2019, as described above.

Business Criteria	Threshold Objective	Threshold Weighting *	Target Objective	Target Weighting *	Maximum Objective	Maximum Weighting *
Production (1)	15.4 MMBoe	12.5%	16.2 MMBoe	25.0%	20.0 MMBoe or greater	50.0%
Reserve (2)	Proven reserves of 75.0 MMBoe at 2017 year-end	7.5	Proven reserves of 78.0 MMBoe at 2017 year-end	15.0	Proven reserves of 84 MMBoe at 2017 year-end	30.0
LOE and G&A (3)	$16.00 per Boe	12.5	$15.00 per Boe	25.0	$13.00 or less per Boe	50.0
Company Criteria						
Adjusted EBITDA Margin Percentage (4)	48% for year 2017	10.0	50% for year 2017	20.0	62% or greater for year 2017	40.0
Individual Criteria						
Individual Performance	Met Expectations	7.5	Exceeded Expectations	15.0	Far Exceeded Expectations	30.0
Total		50.0%		100.0%		200.0%

(1) Production amounts are based upon production on a MMBoe basis for and the 2017 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 2017 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 event).
(4) 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. 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 to each of the Named Executive Officers during 2017. These awards are eligible for vesting if certain identified targets are obtained. Once eligible for performance vesting, they will vest on December 13th of the second calendar year following the year in which the date of grant occurs.

For 2017, 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). 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 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.

One of our main operational challenges in 2017 was to continue re-alignment of the cost structure of our business in light of what appeared to be a substantial and prolonged decrease in the price of oil and gas. By focusing our incentive awards on Adjusted EBITDA margins, we believe management was properly motivated to address this critical need, and in fact management did achieve a substantial re-alignment of the cost structure of our business in 2017. For 2017, the RSU grant percentage for the officers was similar to 2016 levels, which was reduced by 50% from the 2015 levels.

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 2017, we determined that the size of each Named Executive Officer s target RSU grant would be based upon a specific percentage of the officer s 2017 base salary, taking into consideration the fact that the normal vesting schedule for each award will be December 15th of the second calendar year following the year in which the date of grant occurs. The number of RSUs that were initially granted to each Named Executive Officer was determined by multiplying the target percentage below by each Named Executive Officer s base salary, divided by a number that equaled the arithmetic average of the closing price per share of our common stock for the period January 17, 2017 through January 26, 2017, which was $3.13. For example, Mr. Krohn was awarded 638,977 RSUs (number of RSUs equals 200% times $1,000,000 divided by $3.13, rounded down to the nearest whole share), such award is subject to meeting certain performance criteria described below.

Named Executive Officer	2017 RSU Grant as a % of Base Salary
Tracy W. Krohn	200%
John D. Gibbons	150%
Thomas P. Murphy	125%
Stephen L. Schroeder	113%
Shahid A. Ghauri	113%

The performance-based RSUs awarded in 2017 were contingent upon meeting various performance measures for the 2017 calendar year. Forty percent of each of the 2017 RSU grants (the Adjusted EBITDA Portion) was subject to the following targets for the 2017 calendar year:

Adjusted EBITDA Performance Level ($ in thousands)	% of Adjusted EBITDA Portion Available for Vesting
Level 1: $ 235,000 or greater (Target)	100%
Level 2: $ 160,000	75%
Level 3: $ 90,000	50%
Level 4: Less than $ 90,000	0%

Sixty percent of each of the 2016 RSU grants (the Adjusted EBITDA Margin Portion) was subject to the following targets for the 2017 calendar year:

Adjusted EBITDA Margin Performance Level	% of Adjusted EBITDA Margin Portion Available for Vesting
Level 1: 50% or greater (Target)	100%
Level 2: 48%	75%
Level 3: 44%	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.

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If at least a threshold performance level is satisfied as described above with respect to the 2017 year, the RSUs remain subject to a time-based vesting requirement that will not be fully satisfied until December 14, 2019.

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. 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. In addition, an aircraft personally owned by Mr. Krohn may be chartered by the Company and used by Mr. Krohn for any purpose. This benefit is reported as other compensation in the Summary Compensation Table that follows. For security reasons and to facilitate efficient business and personal travel, Mr. Krohn may use Company-chartered aircraft for both business and personal travel. The Company reflects the amounts attributable to Mr. Krohn s personal aircraft usage in the Summary Compensation Table. In 2017, Mr. Krohn s aircraft was used by the Company or Mr. Krohn for 196.8 flight hours. The costs to the Company to charter Mr. Krohn s aircraft may not exceed the cost to charter aircraft owned by a third party, which meets the needs for such trip, taking into account required seating capacity, operational requirements and flight duration. Aggregate incremental cost, if any, of travel by the officer s family or other guests when accompanying the officer on both business and non-business occasions is also included in the Summary Compensation Table when applicable.

Setting Executive Compensation in 2017

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.

For 2017, 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 2017 year. In addition, with respect to Mr. Krohn s 2017 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 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 2017 year Mr. Krohn should not receive any increases in his base salary or target cash award percentage. The base salaries for each of the Named Executive Officers for the 2017 (and 2016) year were as follows: Mr. Krohn, $1,000,000; Mr. Gibbons, $440,000; Mr. Murphy, $410,000, Mr. Schroeder, $374,000 and Mr. Ghauri, $340,000 (2017 base salary employment began March 8, 2017).

Annual Cash Incentive Compensation. The Compensation Committee annually reviews the recommendation of executive management regarding the performance-based goals for the Company. As discussed above, the Compensation Committee established the targets for 2017 with reference to forecasts and other financial and

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operational data. The Compensation Committee set award targets based on production, reserve growth, LOE containment, G&A cost containment, Adjusted EBITDA Margin and individual performance metrics, each metric of which was selected due to the Compensation Committee s belief that the metrics were an important measure of the performance of the Company and, in turn, potential shareholder value.

The following chart presents information about the actual performance relative to the Performance Metrics established by the Compensation Committee and the calculation of the Award Percentage:

	Actual 2017 Company / Individual Performance	Actual % of Target Cash Incentive Eligible (1)
Business Criteria		
Production	14.6 MMBoe	%
Reserve Growth	74.2 MMBoe	%
LOE and G&A	$13.96 /Boe	38.0%
Company Criteria		
Adjusted EBITDA Margin	55.0%	28.3%
Individual Criteria		
Individual Performance	15.0%	15.0%
Total		81.3%

(1) The 2017 Incentive Cash Award is subject to an additional overall financial metric that must be achieved on or before December 31, 2019, as described above. The Company met these criteria as of December 31, 2017; therefore, payments for achievement of these financial metrics with respect to the 2017 year have been made to the Named Executive Officers.

The determination of the individual performance award by the Compensation Committee for the Named Executive Officers was done as a group in recognition of the fact that this group of executives must function in a coordinated fashion for us to achieve our goals. The Compensation Committee evaluated the leadership, initiative and intensity this group demonstrated during 2017 in achieving the common goals set out for them at the beginning of the year, specifically with respect to cost reduction and liquidity. We were able to drive significant cost reduction in LOE. After taking each of these factors into consideration, the Compensation Committee determined that as a group, each of the executive officers met their performance goals at a target level, which indicated that the executive team had exceeded expectations for the 2017 year.

Accordingly, the following chart presents information about the awards eligible by each of our Named Executive Officers with respect to the actual performance relative to the Performance Metrics, although these amounts remain subject to the additional overall financial metric applicable to the 2017 Cash Incentive Awards.

Named Executive Officer	Eligible 2017 Incentive Cash Award as a % of Base Salary *	Amount Eligible*
Tracy W. Krohn	81.3%	$ 813,000
John D. Gibbons	73.2%	321,948
Thomas P. Murphy	65.0%	266,664
Stephen L. Schroeder	61.0%	228,047
Shahid A. Ghauri	61.0%	165,653

*

The 2017 Incentive Cash Award is subject to an additional overall financial metric that must be achieved on or before December 31, 2019, as described above. The Company met these criteria as of December 31, 2017; therefore, payments for achievement of these financial metrics with respect to the 2017 year have been made to the Named Executive Officers.

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Long-term Restricted Stock Unit Award

As discussed above in Elements of Executive Compensation Long-term Incentive Compensation, the Adjusted EBITDA portion of the 2017 RSU awards that is eligible for vesting depends on the level of Adjusted EBITDA achieve