

Gulf of Mexico Deepwater Operations

We have acquired and maintained a significant acreage position in the Gulf of Mexico deepwater. We have successfully generated and operated deepwater exploration and development projects since 1996. As a corollary to our exploration activities, we have pioneered sophisticated deepwater development strategies employing extensive subsea tieback technologies that allow us to produce our discoveries without the expense of permanent production facilities. As of December 31, 2008, we held interests in 95 deepwater blocks and 40 subsea wells. These wells were tied back to 31 host production facilities for production processing. An additional four wells were then under development for tieback to two additional host production facilities. Although we have interests throughout the Gulf of Mexico, we focus much of our efforts in infrastructure-dominated corridors where our subsea technology can be most efficiently deployed. We feel our geological understanding based on exploration success in these corridors gives us a competitive advantage in assessing prospects and vying for new leases.

Production in our Gulf of Mexico deepwater operations is largely from Pleistocene to lower Miocene aged formations and varies between oil and gas depending on formation and age. During 2008, our deepwater operation produced approximately 40.4 Bcfe (34% of our total production) and accounted for approximately 198.7 Bcfe or 20% of our total estimated proved reserves at year end. Natural gas accounted for 69% of total deepwater production for 2008. We drilled eight wells in the region during 2008 with a 63% success rate.

We operate Atwater Valley 426, known as Bass Lite, in which in December 2008 we increased our working interest by 11.6% to 53.8%. It is in the Pleistocene formation and is located in approximately 6,750 feet of water. The field consists of two development wells drilled during 2007 that are connected by a 56-mile subsea tieback to the Devil's Tower spar. Production on Bass Lite began in February 2008 and the field produced 8.5 Bcfe net to our interest during 2008. The project commenced production at full capacity once the topside facilities work was completed in August 2008. At year end 2008, our share of estimated proved reserves attributed to this field was 95.8 Bcfe, of which 100% are natural gas.

We operate Garden Banks 462, known as Geauxpher, in which we hold a 60% working interest. We made this deepwater discovery in June 2008. The well, which lies in water depths of approximately 2,700 feet, was drilled to a total depth of 23,156 feet (measured depth). At year-end 2008, our share of estimated proved reserves attributed to the discovery was 32.7 Bcfe, consisting of 3% oil and 97% natural gas. A two-well development is underway, with initial production expected during the first half of 2009. Apache Corporation holds a 40% working interest in the development.

Green Canyon 646, known as Daniel Boone, is operated by W&T Offshore, Inc. and consists of one well in the Pliocene/Pleistocene formation. It is located in approximately 4,200 feet of water and we have an approximate 40% working interest in the well. The field is being developed and first production is expected in 2009. At year end 2008, our share of estimated proved reserves attributed to this field was 18.3 Bcfe, consisting of 68% oil and 32% natural gas.

East Breaks 558/602, known as Northwest Nansen, is operated by Anadarko Petroleum Corp. The field, which is in the Pliocene/Pleistocene formation, consists of four wells in approximately 3,500 feet of water that are connected by subsea tiebacks to the Nansen spar. We hold a 50% working interest in the East Breaks 558 well, which was completed as a gas well, and a 33% working interest in the three East Breaks 602 wells, which were completed as oil wells. The field began producing in February 2008 and the field produced 12.9 Bcfe net to our interest during 2008. At year end 2008, our share of estimated proved reserves attributed to the field was 16.6 Bcfe, consisting of 34% oil and 66% natural gas.

Ewing Bank 921, known as North Black Widow, is operated by ENI Petroleum US and began producing in the Pliocene/Pleistocene formation in 2007. We hold an approximate 35% working interest in one well, which is located in approximately 1,700 feet of water. Our share of net production during 2008 was approximately 1.9 Bcfe. At year end 2008, our share of estimated proved reserves attributed to the field was 7.8 Bcfe, consisting of 91% oil and 9% natural gas.

Gulf of Mexico Shelf Operations

As an operator on the Gulf of Mexico shelf for a number of years, we expanded our Gulf of Mexico shelf operations in 2006 through our acquisition of the Gulf of Mexico operations of Forest Oil Corporation