

# W&T Offshore, Inc.

Lehman Brothers' 2007 CEO Energy/Power Conference  
September 6, 2007



# Forward-Looking Statement Disclosure

This presentation, contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements give our current expectations or forecasts of future events. They include statements regarding our future operating and financial performance. Although we believe the expectations and forecasts reflected in these and other forward-looking statements are reasonable, we can give no assurance they will prove to have been correct. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. You should understand that the following important factors, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements relating to: (1) amount, nature and timing of capital expenditures; (2) drilling of wells and other planned exploitation activities; (3) timing and amount of future production of oil and natural gas; (4) increases in production growth and proved reserves; (5) operating costs such as lease operating expenses, administrative costs and other expenses; (6) our future operating or financial results; (7) cash flow and anticipated liquidity; (8) our business strategy, including expansion into the deep shelf and the deepwater of the Gulf of Mexico, and the availability of acquisition opportunities; (9) hedging strategy; (10) exploration and exploitation activities and property acquisitions; (11) marketing of oil and natural gas; (12) governmental and environmental regulation of the oil and gas industry; (13) environmental liabilities relating to potential pollution arising from our operations; (14) our level of indebtedness; (15) timing and amount of future dividends; (16) industry competition, conditions, performance and consolidation; (17) natural events such as severe weather, hurricanes, floods, fire and earthquakes; and (18) availability of drilling rigs and other oil field equipment and services.

We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation or as of the date of the report or document in which they are contained, and we undertake no obligation to update such information. The filings with the SEC are hereby incorporated herein by reference and qualifies the presentation in its entirety.

## Cautionary Note to U.S. Investors

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. U.S. Investors are urged to consider closely the disclosure in our Form 10-K for the year ended December 31, 2006, available from us at Nine Greenway Plaza, Suite 300, Houston, Texas 77046. You can obtain these forms from the SEC by calling 1-800-SEC-0330.

# Company Highlights



## Highlights

Ticker	WTI (NYSE)
Initial Public Offering	January 2005
Employees	295
Market Capitalization (\$ in MMs)	\$1,678

Key Financials (\$ in MMs)	2006	1H2007
Revenue	\$800	\$519
Adjusted EBITDA	\$642	\$376
Adjusted EBITDA Margin %	80%	72%
CAPEX	\$589	\$199

## Reserve Data (as of 12/31/06)

Proved Reserves (Bcfe)	735
Proved Developed Reserves (Bcfe)	479
Proved Developed %	65%
Natural Gas %	55%

## Field Statistics (as of 12/31/06)

# of Producing Fields w/WI	158
Appox. Acreage (Gross/Net)	2.0 million/1.1 million
% Held-by-Production	70%

## Current Production (as of 8/27/07)

Average Daily Production (MMcfe)	305 +/-
Natural Gas %	64%
Operated Production % (net)	67%

Market capitalization as of August 28, 2007

# W&T's Business Strategy

- ▶ Strong emphasis on cash flow returns and generation
- ▶ Increase reserves and revenue through the drill bit and by acquisition
- ▶ Continued focus on offshore Gulf of Mexico
  - Conventional shelf – primary focus
  - Deep Shelf and Deepwater – secondary focus
- ▶ Numerous acquisition opportunities exist today
  - Competitors continue to divest GOM assets
  - Assets are not leaving basin, just changing hands
- ▶ Acreage will be King!
  - Many companies have “left or are leaving” the shelf
  - Held by production acreage is best
- ▶ Maintain financial discipline

# Winning Acquisition Strategy

Key to our successful acquisition strategy is our ability to **target under-exploited assets**

## Key Acquisition Factors

## Kerr-McGee Example

- |                         |  |
|-------------------------|--|
| 1. Cash Flow            | KMG has strong production rates, including several behind pipe, workover projects identified   |
| 2. “Bank-ability”       | 68% of reserves were proved developed<br>Bank group underwrote the entire \$1.34B transaction  |
| 3. Identified Upside    | Five years of drilling prospects identified<br>Many prospects “leftover” from KMG’s Westport transaction<br>Many prospects identified by independent consulting firm |
| 4. Neglected properties | Minimal staff and expenditures for 1 million acres<br>= under-exploited assets!!   |

# Acquisitions Report Card

## Value created from 5 Major Transactions since 1999

(\$ in millions)

### Probable and Possible:

Probable: 102 Bcfe \$423 MM PV-10

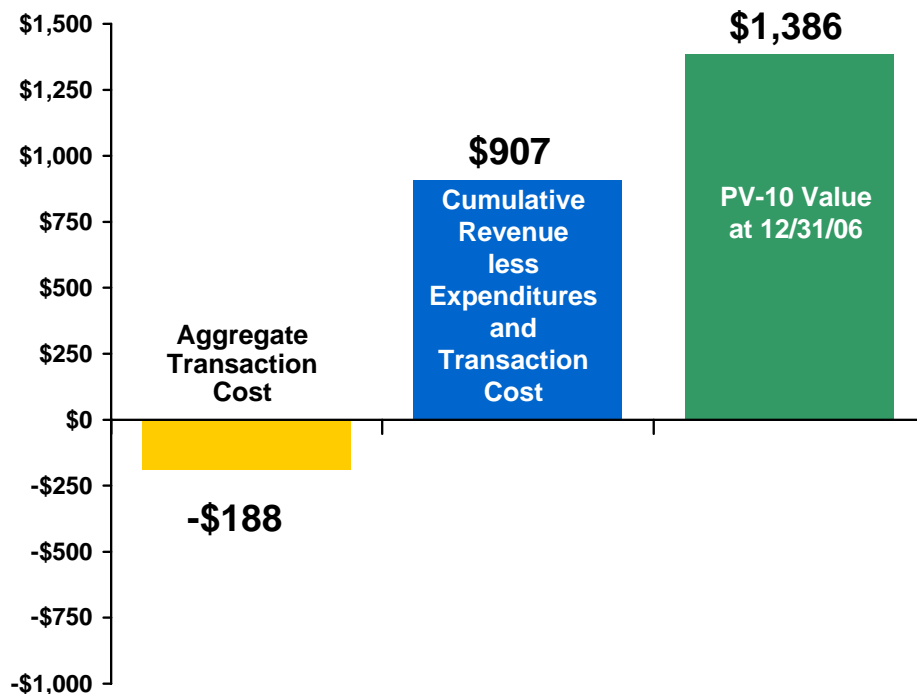
Possible: 126 Bcfe \$424 MM PV-10

## Kerr-McGee from close to 06/30/07

(\$ in millions)

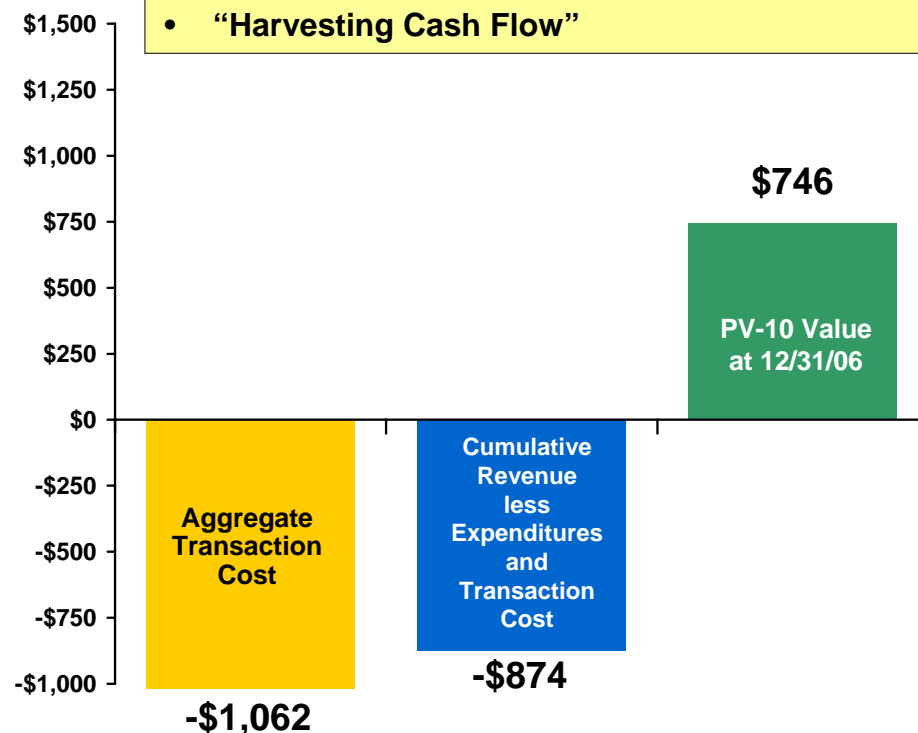
Probable and Possible: 499 Bcfe

- 93 Exploration and Development Wells Drilled



Note: Excludes Kerr-McGee transaction.

- 3 Exploration and Development Wells Drilled
- "Harvesting Cash Flow"



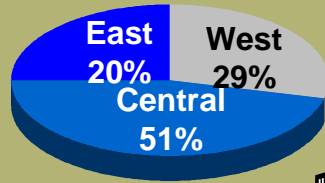
Approximate Revenues and Costs at 6/30/07

# Reserves Overview



# Proved Reserve Geographic Diversification

## Total Proved



Our geographic diversity provides additional protection during a hurricane

Western

Central

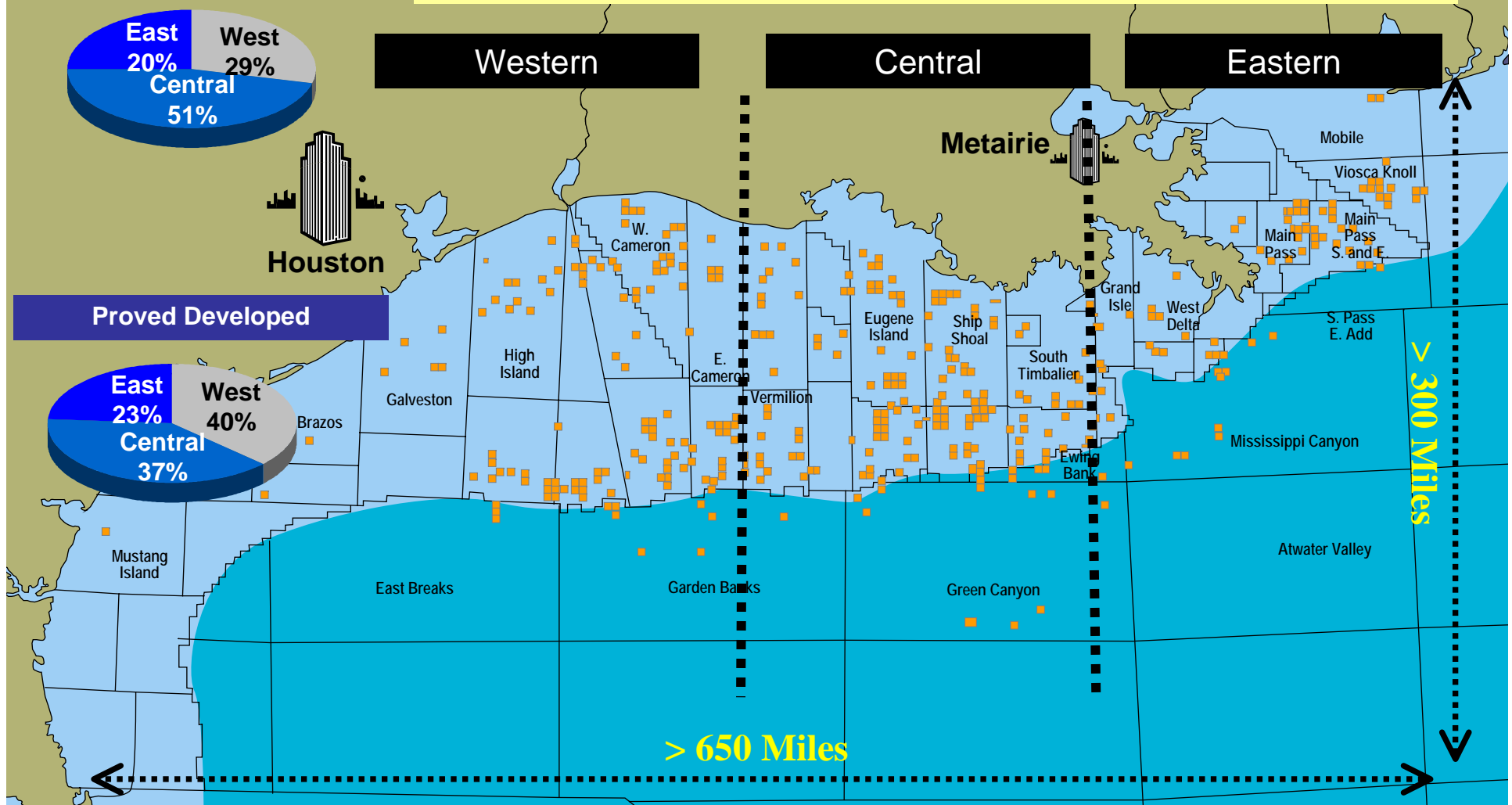
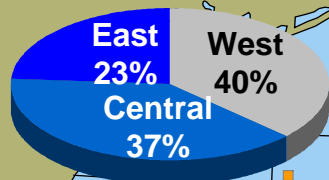
Eastern



Houston

Metairie

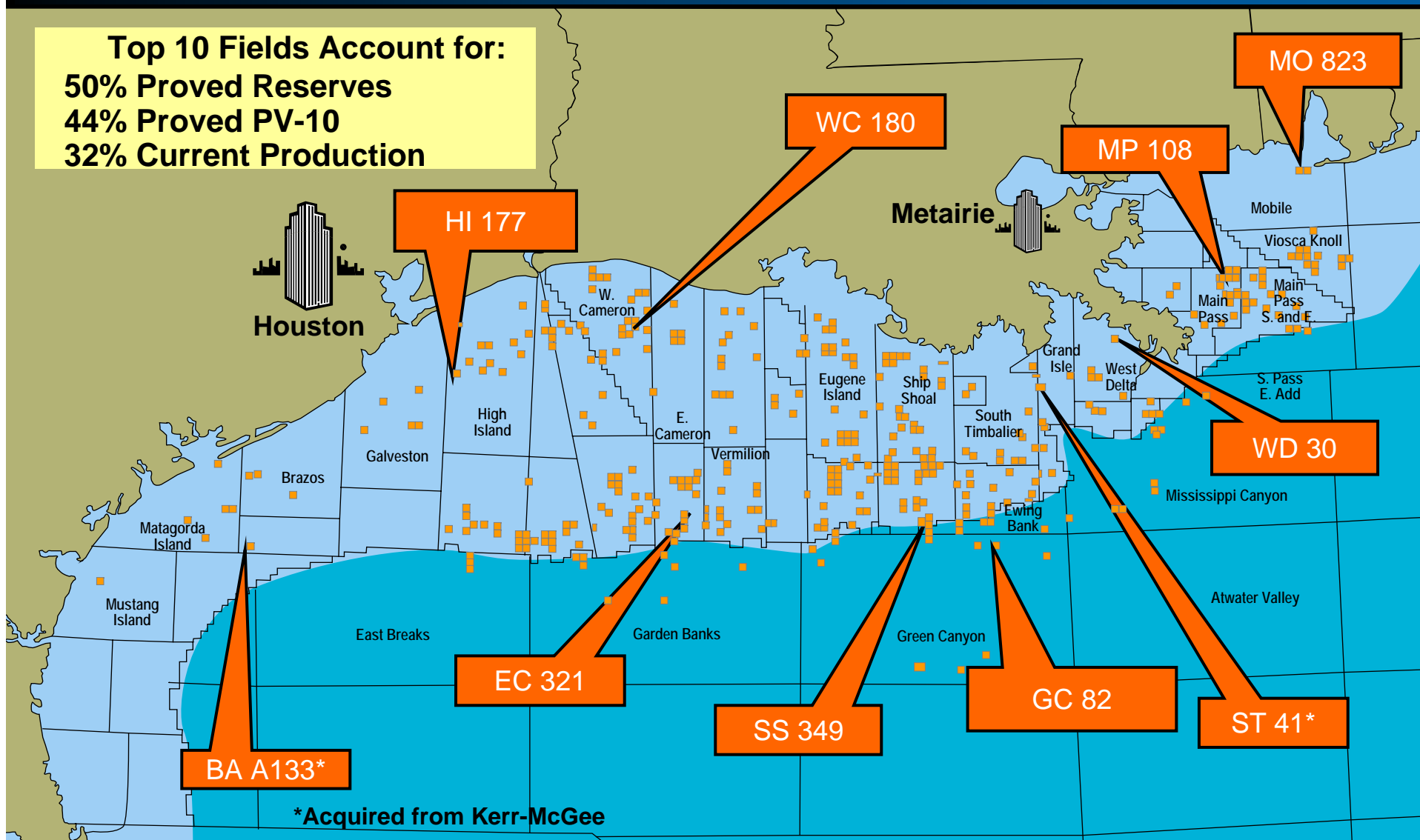
## Proved Developed





# Top Fields – Proved Reserves

**Top 10 Fields Account for:**  
**50% Proved Reserves**  
**44% Proved PV-10**  
**32% Current Production**



# Production Overview



# Production Timing

- ▶ Current timing adjustments have been both favorable and unfavorable
  - Seven projects had favorable timing adjustments from revised March 2007 forecast
  - Several unfavorable adjustments are due to weather

- Original forecast (November 2006)
- Revised forecast (March 2007)
- Current timing adjustments (July 2007)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Reason for Delay
Main Pass 108 #7	●						●				Pipeline Integrity
East Cameron 321		●	●								Sales Pipeline Repairs
Ewing Bank 949 #2ST3		●	●								Start-up as originally scheduled
Grand Isle 3 #1		●	●								Start-up as originally scheduled
South Timbalier 299		●					●		●		Host Processor Construction
Vermilion 171, SM 29		●		●	●						Rig Scheduling
Main Pass 108 A-7			●		●	●					Equipment Availability
Ship Shoal 149 G-7			●		●		●				Rig Scheduling
East Cameron 338, 349, 368				●					●		Underwater Platform Repairs
Ewing Bank 989 #1				●	●				●		Start-up as originally scheduled
High Island 24L #1 (SL106410)				●					●	●	Project Scope/Weather
Main Pass 185 #1, Main Pass 163				●					●	●	Partner delays
Mississippi Canyon 718 (Pluto)				●		●		●			Better Reservoir Performance
Bay Junop					●				●		Regulatory Permitting
Galveston 303 #7					●	●					Start-up as originally scheduled
Mobile Bay 824					●	●	●				Host Processor Construction
High Island 24L #1 (SL107044)							●		●	●	Project Scope/Weather

# Production Visibility

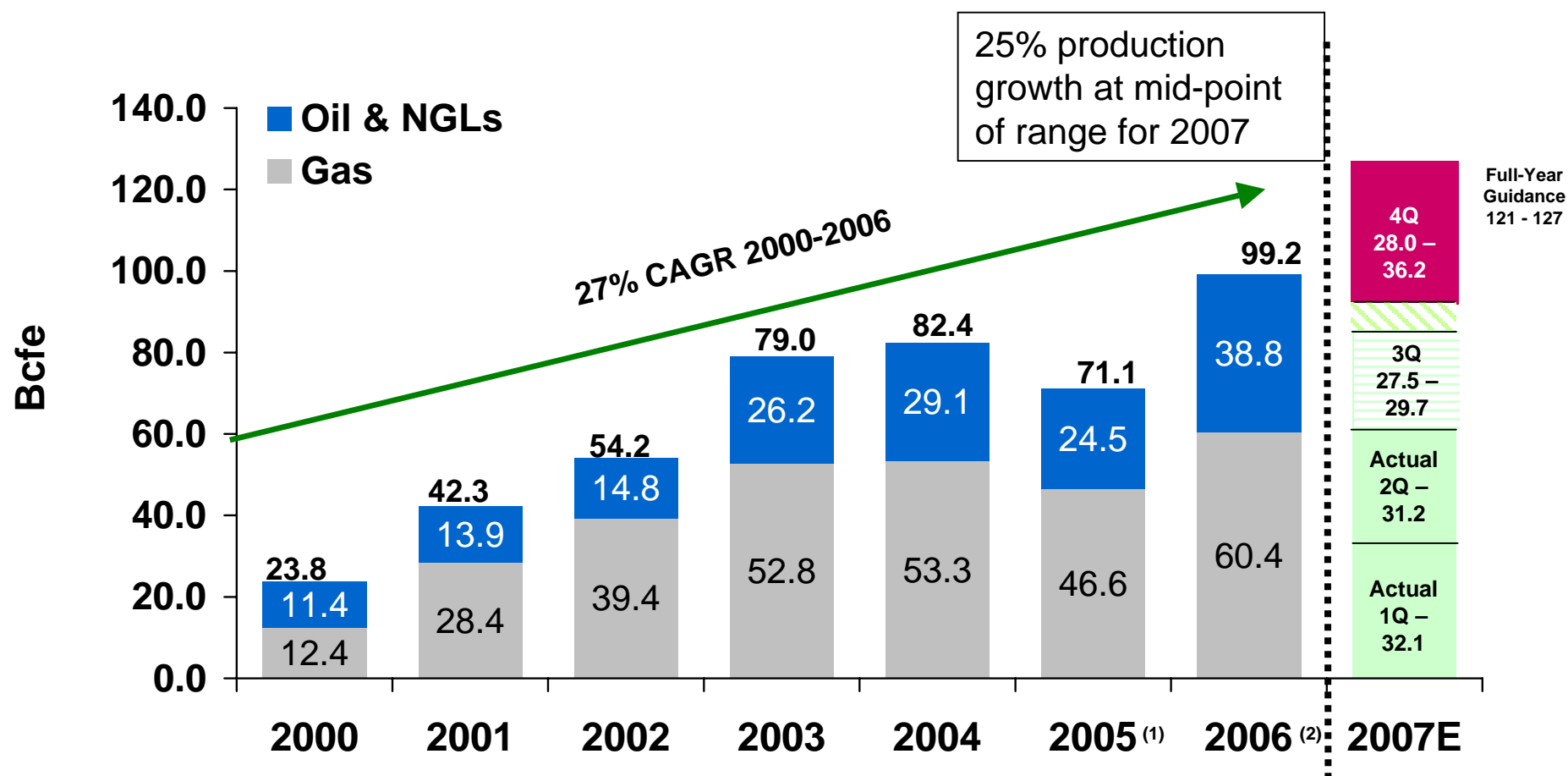
- ▶ Only includes recent exploration and development projects.
- ▶ Does not include any incremental production from recently announced exploration drilling programs.

Project Name	Category	WI	Initial start-up rate net to our interest(MMcfe/day)	
			Q3 2007	Q4 2007
Mobile Bay 824	Shelf	100%	2.8	19.0 4.7
South Timbalier 299	Shelf	25 - 100%	4.0	
Bay Junop (aka "King Lake")	Deep Shelf	100%	18.0	
High Island 24L	Shelf	25%		
Main Pass 185	Shelf	33%		
New Production			24.8	23.7
Total New Production				48.5

Production shift from prior quarters	Category	WI	Q3 2007
Mississippi Canyon 718 "Pluto"	Deepwater	49%	7.0
Main Pass 108	Shelf	75%	2.5
East Cameron 338, 349, 368	Shelf	71%	3.0
Ship Shoal 149	Shelf	100%	3.5
Total			16.0

Note: Initial start-up at various times during quarter

# Production growth



<sup>1</sup> 2005 production does not include 17.4 Bcfe of deferral caused by severe hurricanes.

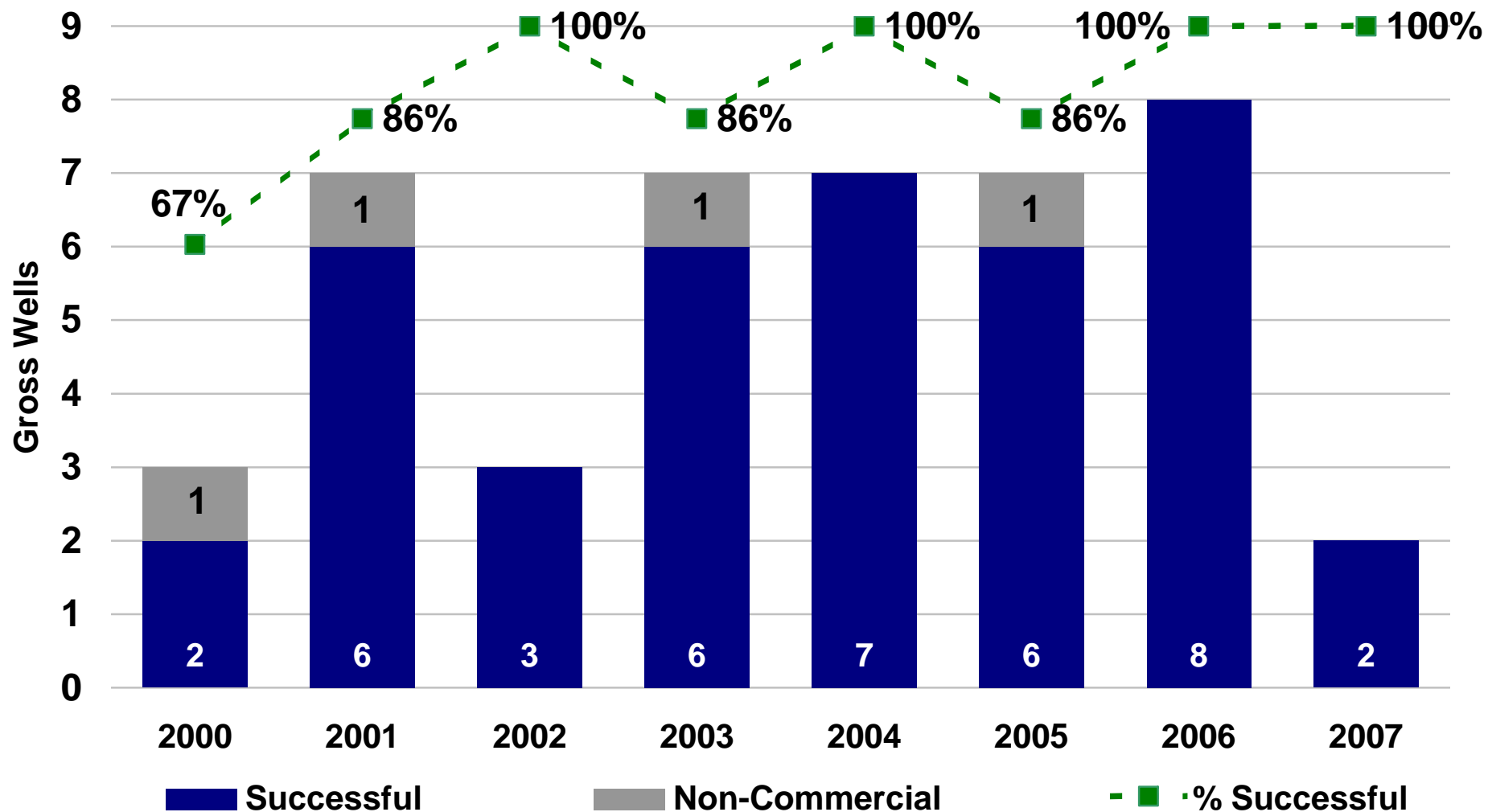
<sup>2</sup> 2006 Production does not include 7.8 Bcfe of deferral remaining from severe hurricanes in 2005.

# Drilling Overview



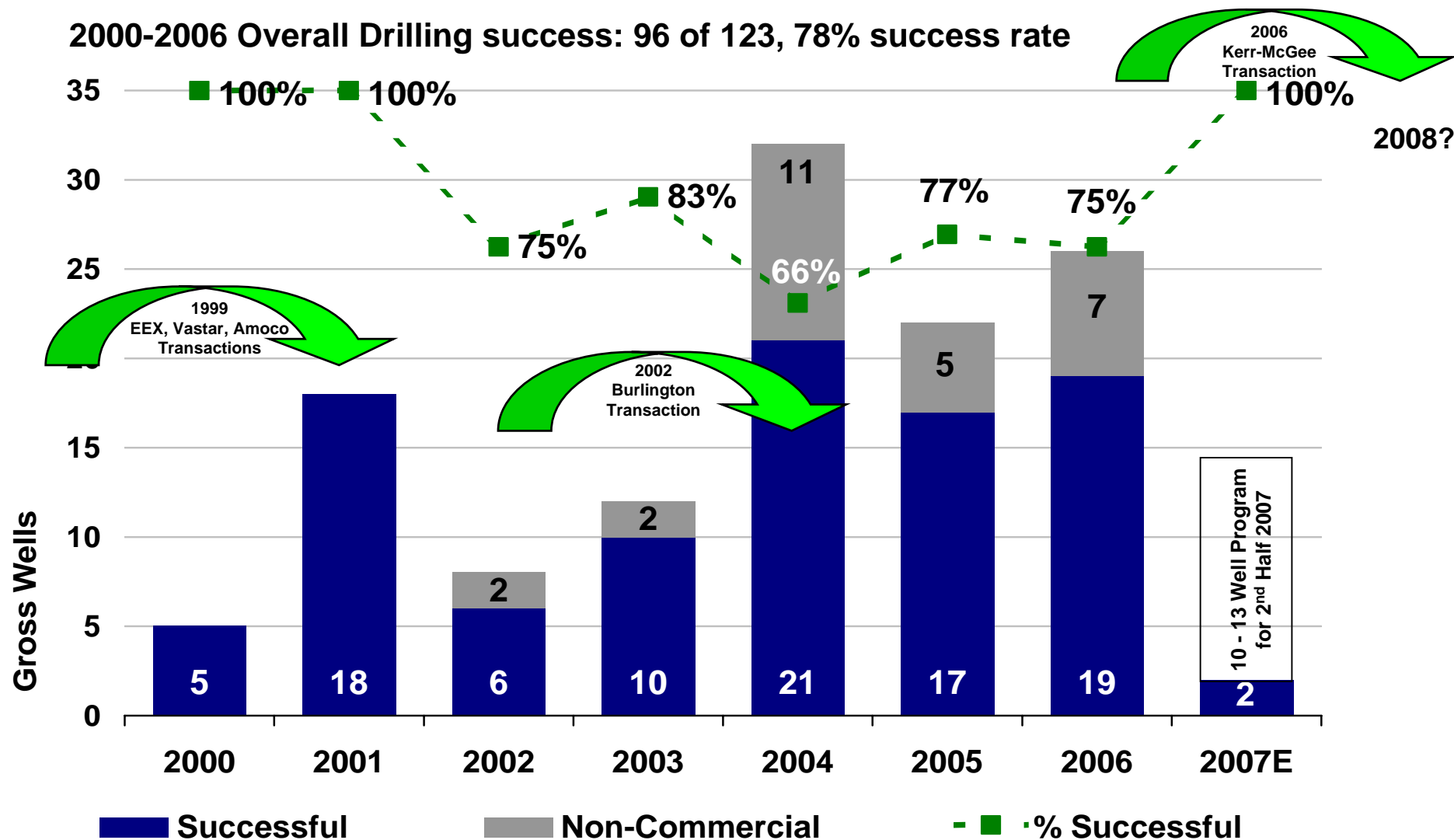
# Development Drilling

2000 – 2006 Overall Drilling success: 38 of 42, 90% success rate



# Exploration Drilling

2000-2006 Overall Drilling success: 96 of 123, 78% success rate





# Recent Events



# 2007 Capital Expenditures Program

- ▶ W&T has budgeted \$453 million for capital in 2007

(\$ in millions)	2006	Original 2007	Additions	Revised 2007
Exploration	\$ 252	\$ 133	\$ 52	\$ 185
Development	302	193	43	236
Seismic	35	27	5	32
<b>Total Capital Budget</b>	<b>\$ 589</b>	<b>\$ 353</b>	<b>\$ 100</b>	<b>\$ 453</b>

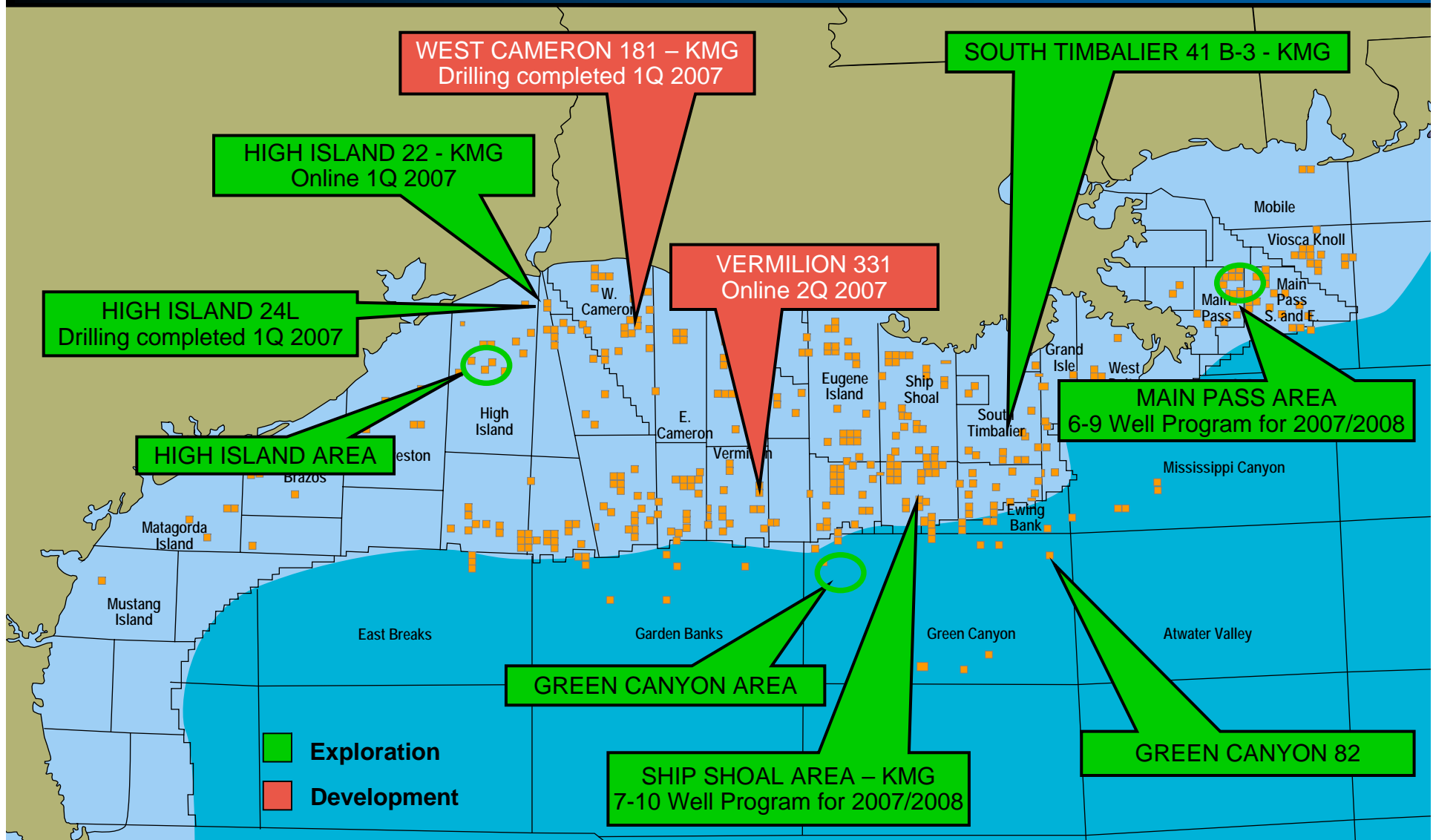
- ▶ We have budgeted for 10-13 exploration wells to be drilled in the second half of 2007
  - 6-9 are conventional shelf wells, two are on the deep shelf, and two are in the deepwater
  - At mid-year 2007, we spent \$130.6MM on Development activities and \$48.2MM on Exploration activities and \$15MM on seismic

Note: \$38 million in 2006, \$105 million in original 2007, and \$105 million in revised 2007 is included in our budget for major expense items that are not considered capital but are included in our LOE guidance

# 2007 Exploration & Development + Near-Term Exploration & Development Plans

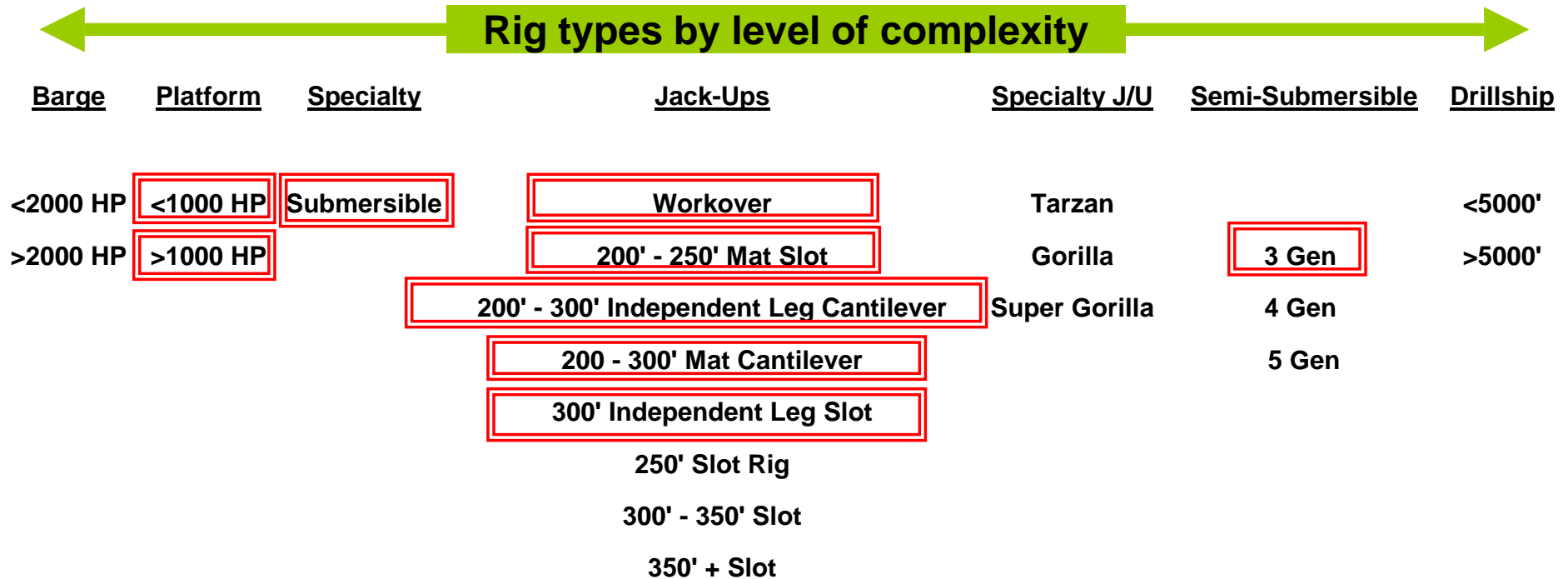


# Projects for 2007



# Operated Rig Analysis

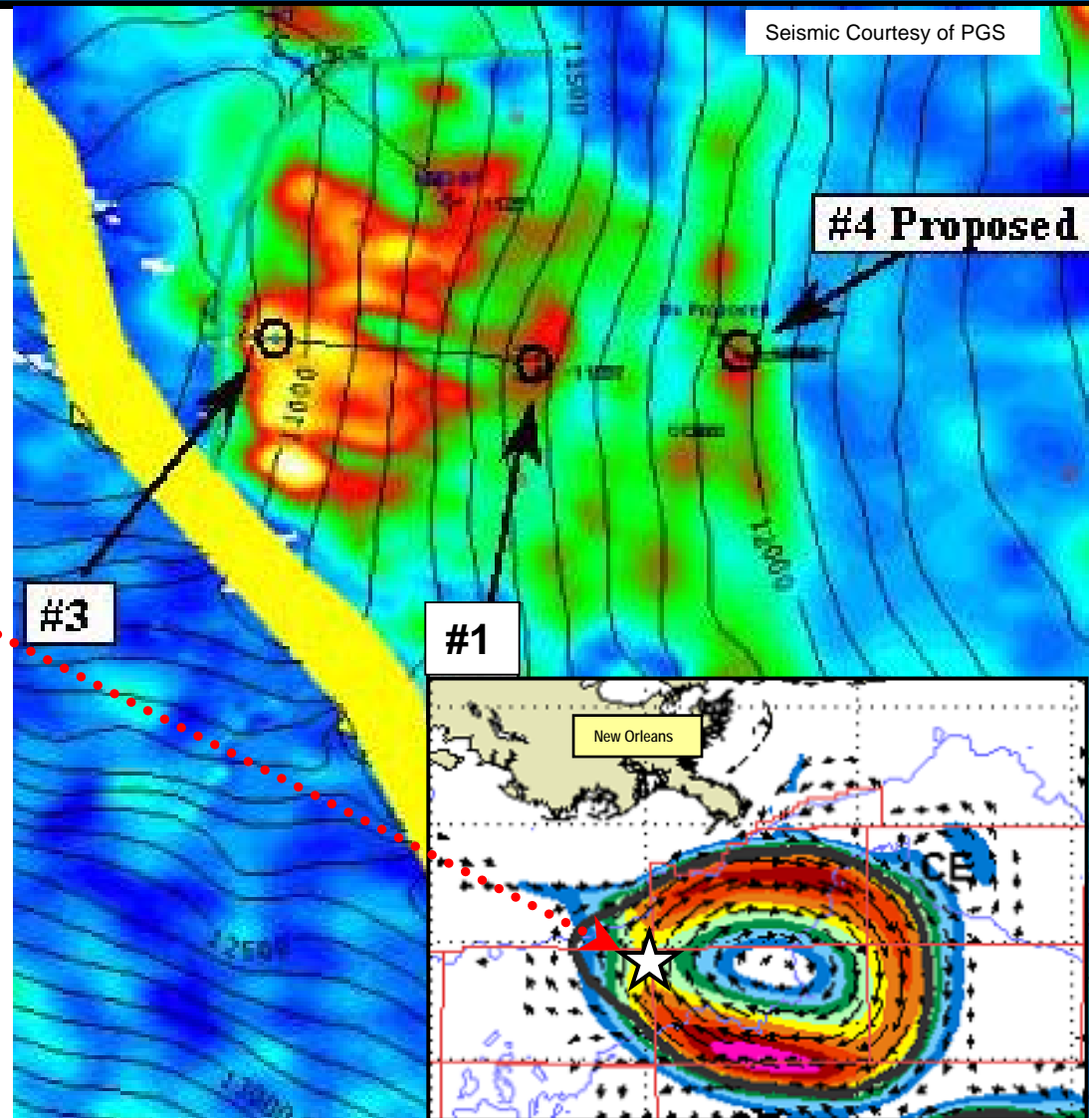
Our 2<sup>nd</sup> half 2007 drilling plan includes approximately 10 – 13 wells



Types of rigs necessary for proposed 2<sup>nd</sup> half 2007 drilling program.

# Green Canyon 82 – Healey Overview

- ▶ 2 W&T operated wells drilled to date
  - Healey #1 (2006)
  - Healey #3 (2006/2007)
- ▶ 5 Primary Reservoirs
  - 9,450' Oil                      11,200' Gas
  - 10,900' Gas                    11,300' Oil
  - 12,250' Oil
- ▶ For primary reservoirs only - 3P Total – 260 Bcfe
- ▶ Healey #4 began drilling July 2007
  - Progress interrupted by loop/eddy currents, rig moved off location
  - 22" casing set at 3,920' – just above the first of four potential exploratory objectives
  - Anticipate return to drilling in 4<sup>th</sup> quarter 2007
- ▶ 7 Additional Prospects have a total unrisksed exploratory potential of about 219 Bcfe
- ▶ Potential Development options are currently being evaluated pending Healey #4 results



# Drilling Summary

## High Island 24 Area

- ▶ 25% W&T working interest
- ▶ Initial discovery well drill Sept 2006
  - Initial production test – 49 MMcfe/day gross
- ▶ Successful offset well completed in March 2007
  - Initial production test – 52 MMcfe/day gross
- ▶ First production anticipated Oct 2007

## High Island 22

- ▶ 100% W&T working interest
- ▶ 1<sup>st</sup> well drilled on former Kerr-McGee property
- ▶ Successfully drilled and completed B-3ST in January 2007
- ▶ Current rate of 6.0 MMcfe/day gross

## Bay Junop

- ▶ 100% GWI before payout
- ▶ #1ST reached a Total MD of 18,553 feet on 10/10/06
- ▶ WTI's Deepest Operated Production in the GOM
- ▶ First Production – Late Third Quarter 2007
  - 18.0 MMcfe/d net estimated production

# “From Evaluation to Implementation ...” Kerr- McGee Prospects





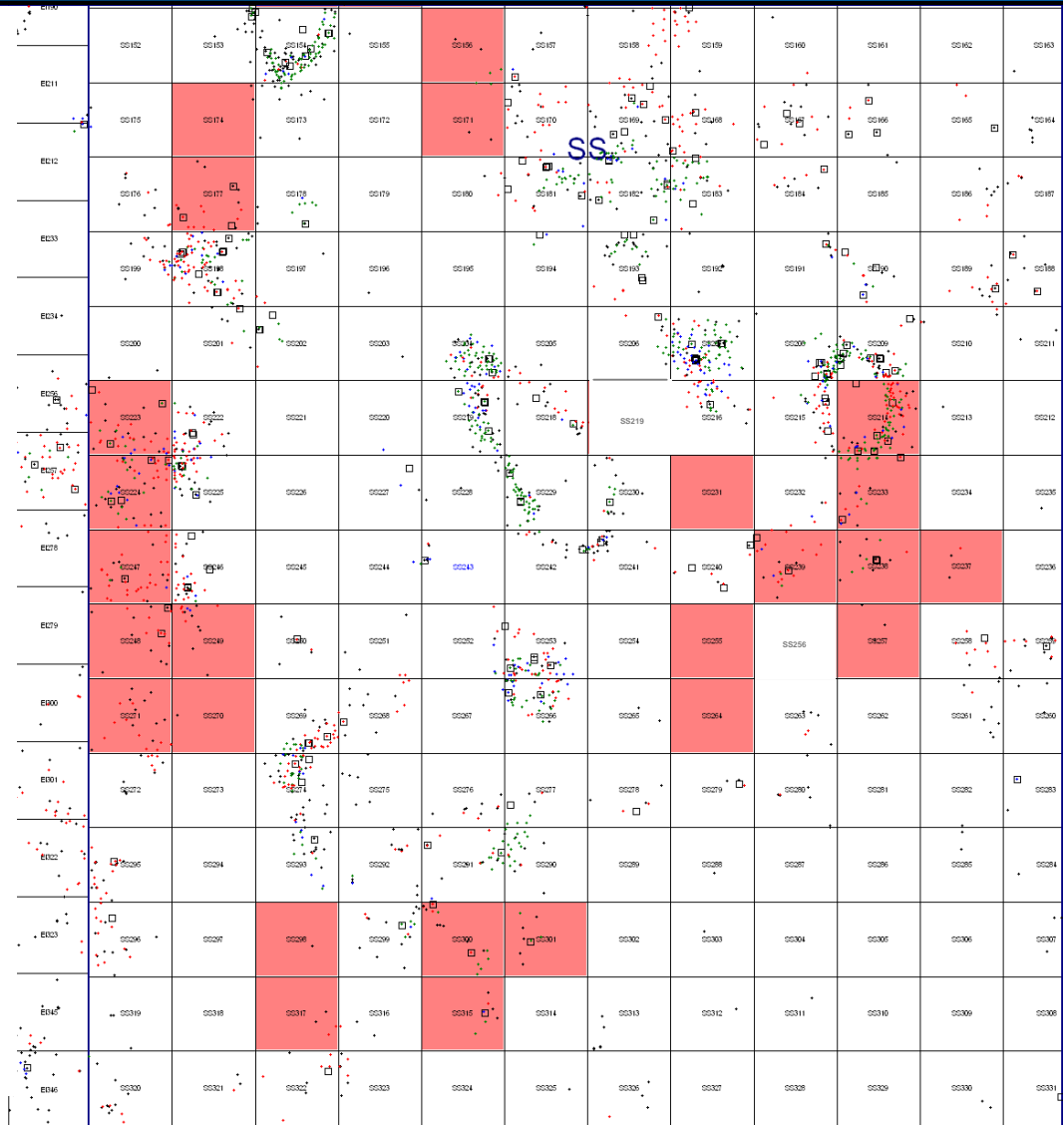
# Ship Shoal Area

## ► Ship Shoal Program 1

- Approximately 40% W&T working interest
- 5 Drilling locations proposed for 2007-2008
- All drilled from existing platform with existing production facilities
- First drilling to begin 4<sup>th</sup> quarter 2007
- Total net unrisked exploration potential of 44 Bcfe

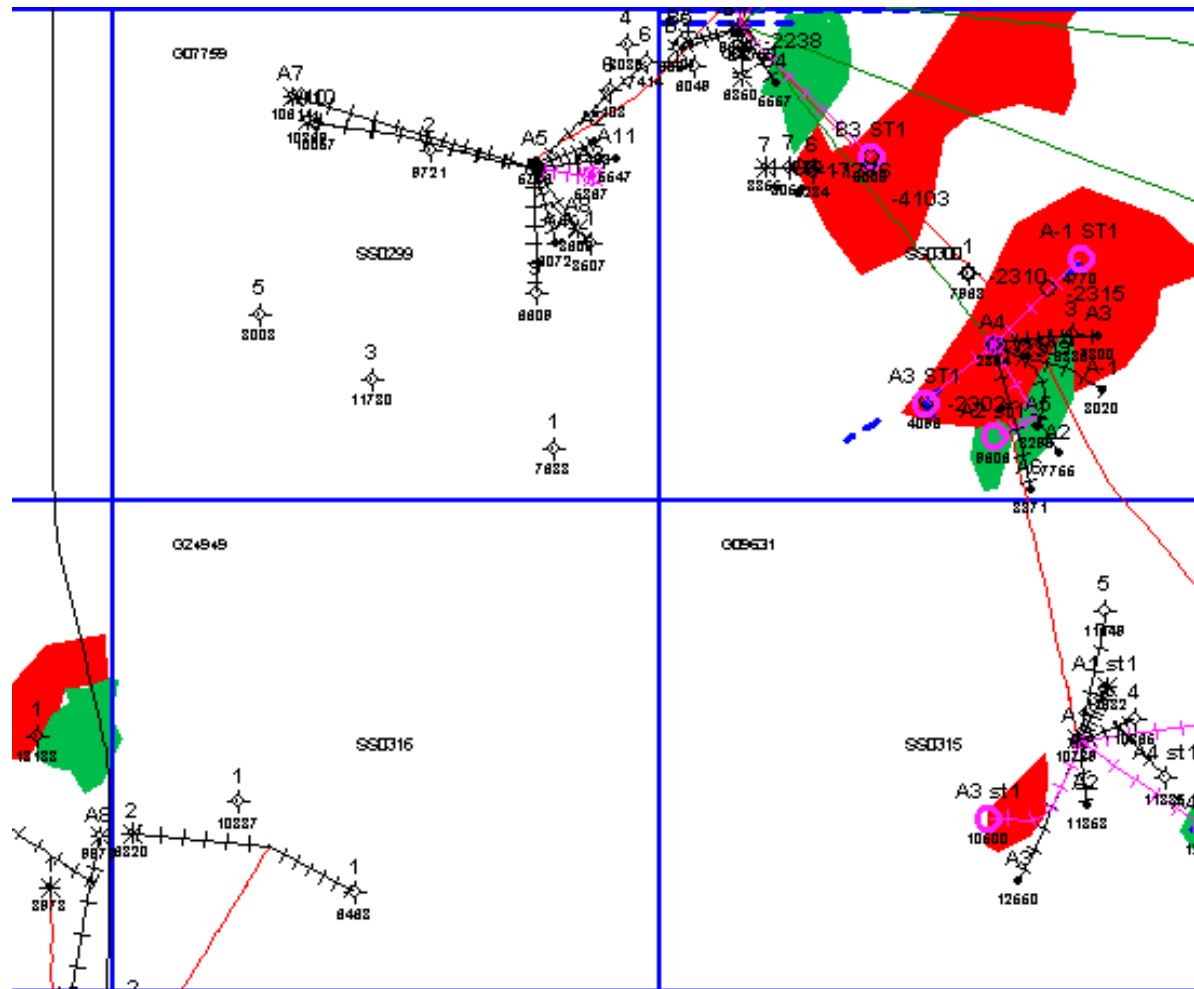
## ► Ship Shoal Program 2

- Large acreage position covering Deep Shelf exploration and Salt Dome flank prospects
- Potential exploration drilling in 2008-2009



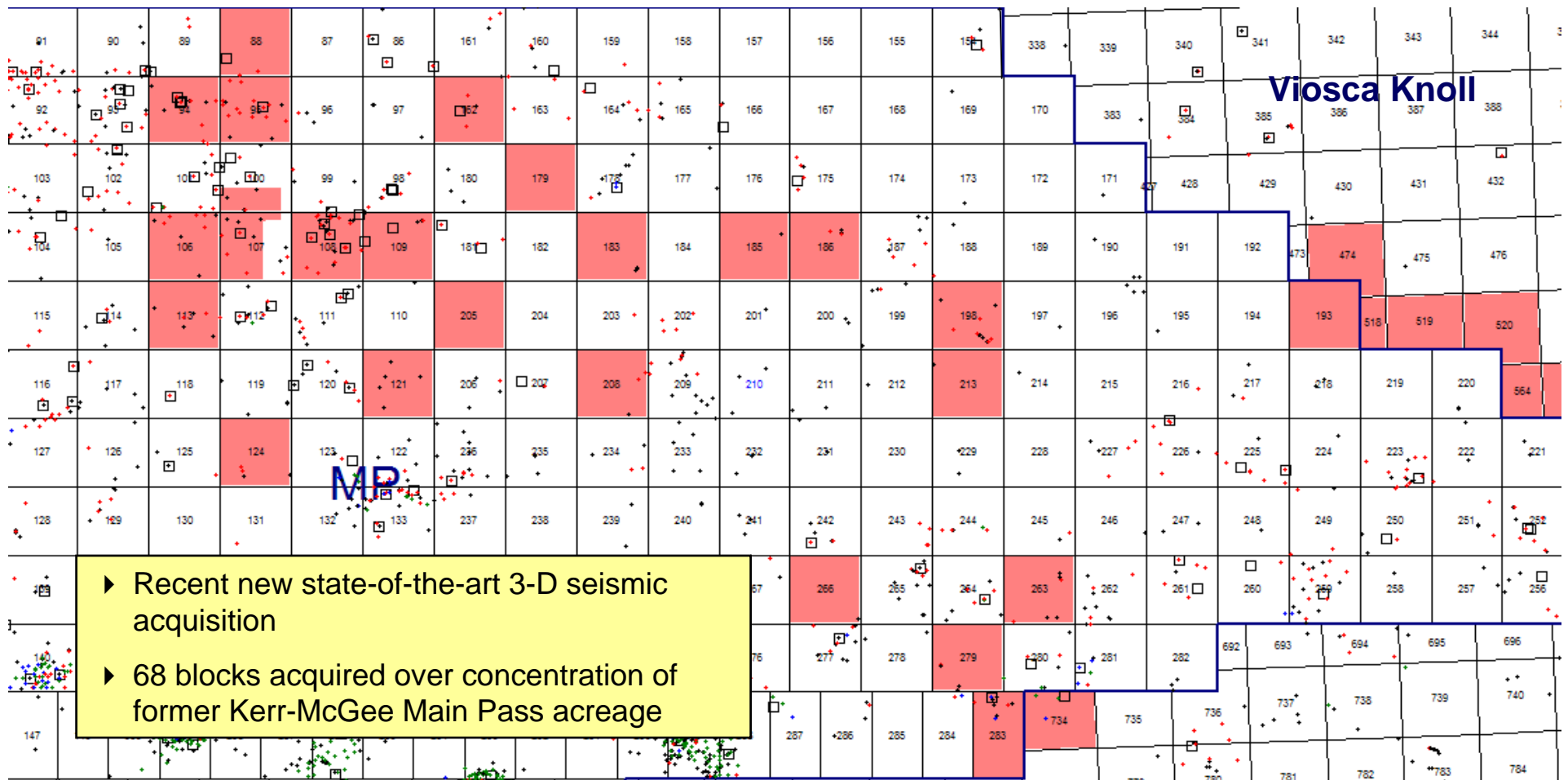
# Ship Shoal 300 Area

- ▶ Former Kerr-McGee Property
- ▶ W&T operated with 75% Working Interest
- ▶ 250-300 Feet Water Depth
- ▶ 7-10 "In-Field" Exploration Prospects Proposed 2007-2008
- ▶ Moderate Drilling Depths: 2300' TVD to 12,200' TVD
- ▶ First Drilling to begin Sept 2007
- ▶ Total Net Unrisked Exploration Potential of 70 Bcfe
- ▶ Most drilled from platforms with existing production facilities



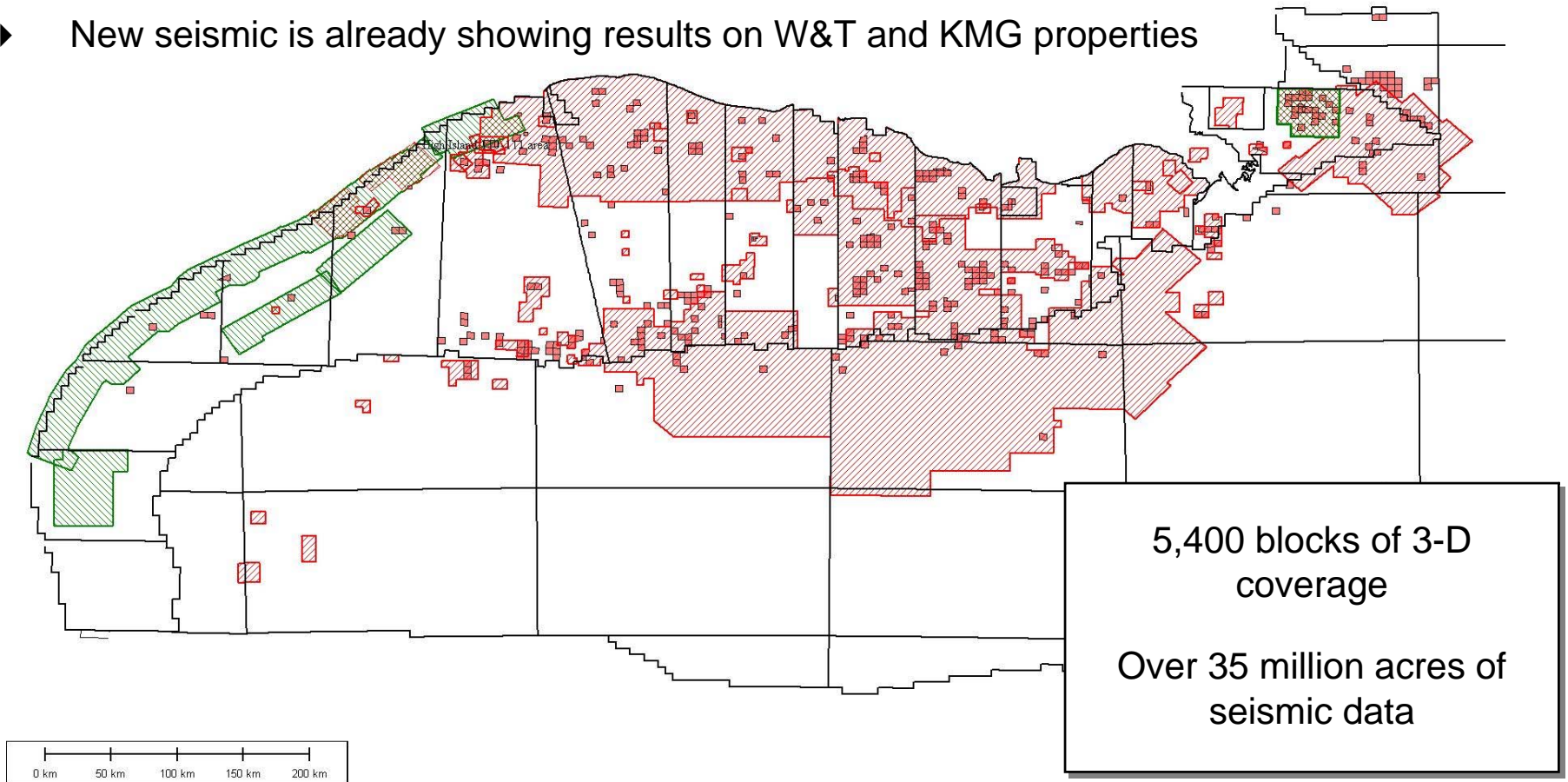
# Main Pass/Viosca Knoll Area

- ▶ 6-9 well program in 2007/2008, most drilled from platforms with existing production facilities
- ▶ Total Net Unrisked Exploration Potential – 154 Bcfe



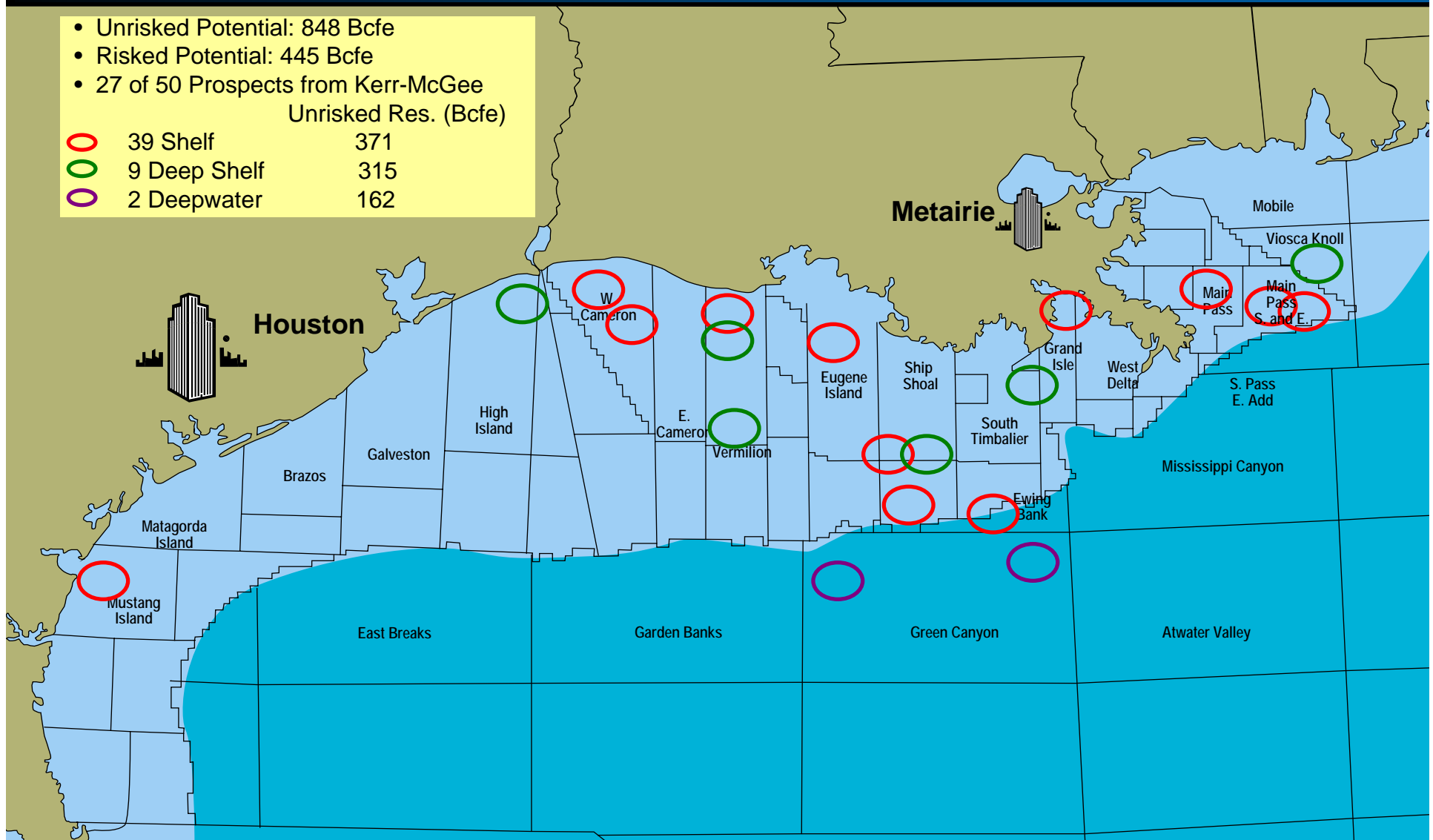
# Seismic Coverage

- ▶ Goal is to obtain a continuous 3-D database covering all W&T properties
- ▶ Recent new 3-D seismic acquisition – as indicated in the green shaded areas
  - 660 blocks of SEI 3-D across offshore Texas
  - 68 blocks of WesternGECO/GPI across Mass Pass
- ▶ New seismic is already showing results on W&T and KMG properties



# 18 Months Drilling Portfolio for Budgeting Consideration

- Unrisked Potential: 848 Bcfe
  - Risked Potential: 445 Bcfe
  - 27 of 50 Prospects from Kerr-McGee
- |              | Unrisked Res. (Bcfe) |
|--------------|----------------------|
| 39 Shelf     | 371                  |
| 9 Deep Shelf | 315                  |
| 2 Deepwater  | 162                  |



# Liquidity and Discretionary Cash Flow

(\$ in thousands)

<b>Liquidity</b>	<b>6/30/2007</b>
Cash on Hand	\$ 102,090
Undrawn Revolver	300,000
Total Liquidity	<u>402,090</u>

<b>Non-Discretionary Items *</b>	<b>1H2007</b>	<b>2H2007E</b>
Interest Expense	\$ (33,442)	(33,442)
Development CAPEX	(130,600)	(105,400)
P&A	(13,000)	(27,000)
Total Non-Discretionary Items	<u>\$ (177,042)</u>	<u>(165,842)</u>

Exploration CAPEX	<u>\$ (48,200)</u>	<u>(136,800)</u>
Liquidity less above items		<u>99,448</u>

Adjusted EBITDA	<u>\$ 376,162</u>	<u>2H2007E Adjusted EBITDA</u>
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Discretionary Cash Flow		<u>\$ 2H2007E Adjusted EBITDA plus 99,448</u>
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\*Does not include cash taxes or amortization of Term B

Note: 2H2007E is for illustrative purposes and may not reflect actuals

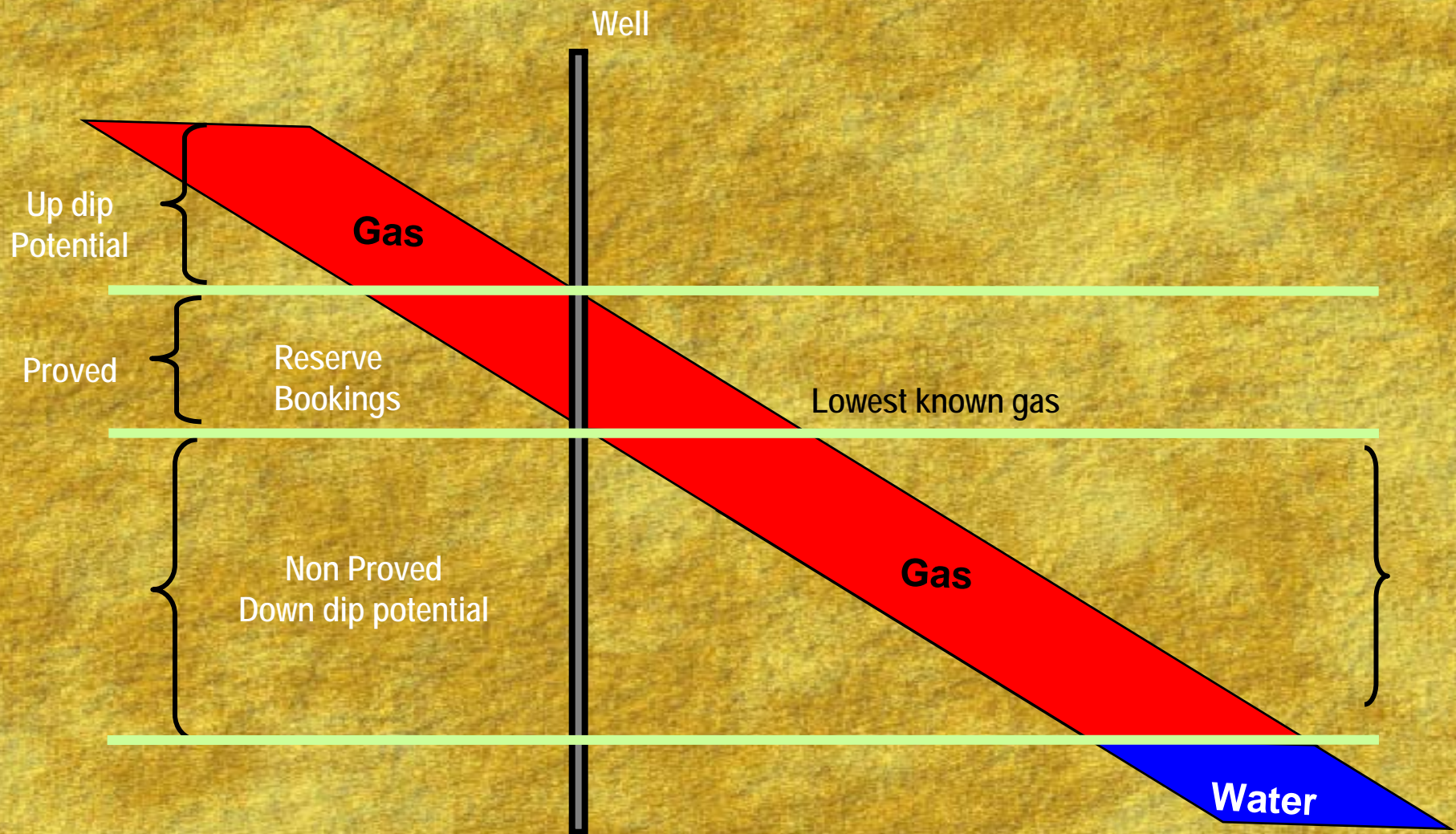
# Key Drivers

- ▶ High cash-on-cash return
- ▶ Superior Metrics vs. Peers
  - W&T trading at a discount to NAV
- ▶ Proven Track-Record of Acquiring and Exploiting
  - Opportunity and size of Future Transactions
- ▶ Large inventory of prospects
- ▶ Favorable Oil:Gas Mix in Volatile Times
- ▶ Acceptable Debt Levels
- ▶ Sufficient Liquidity

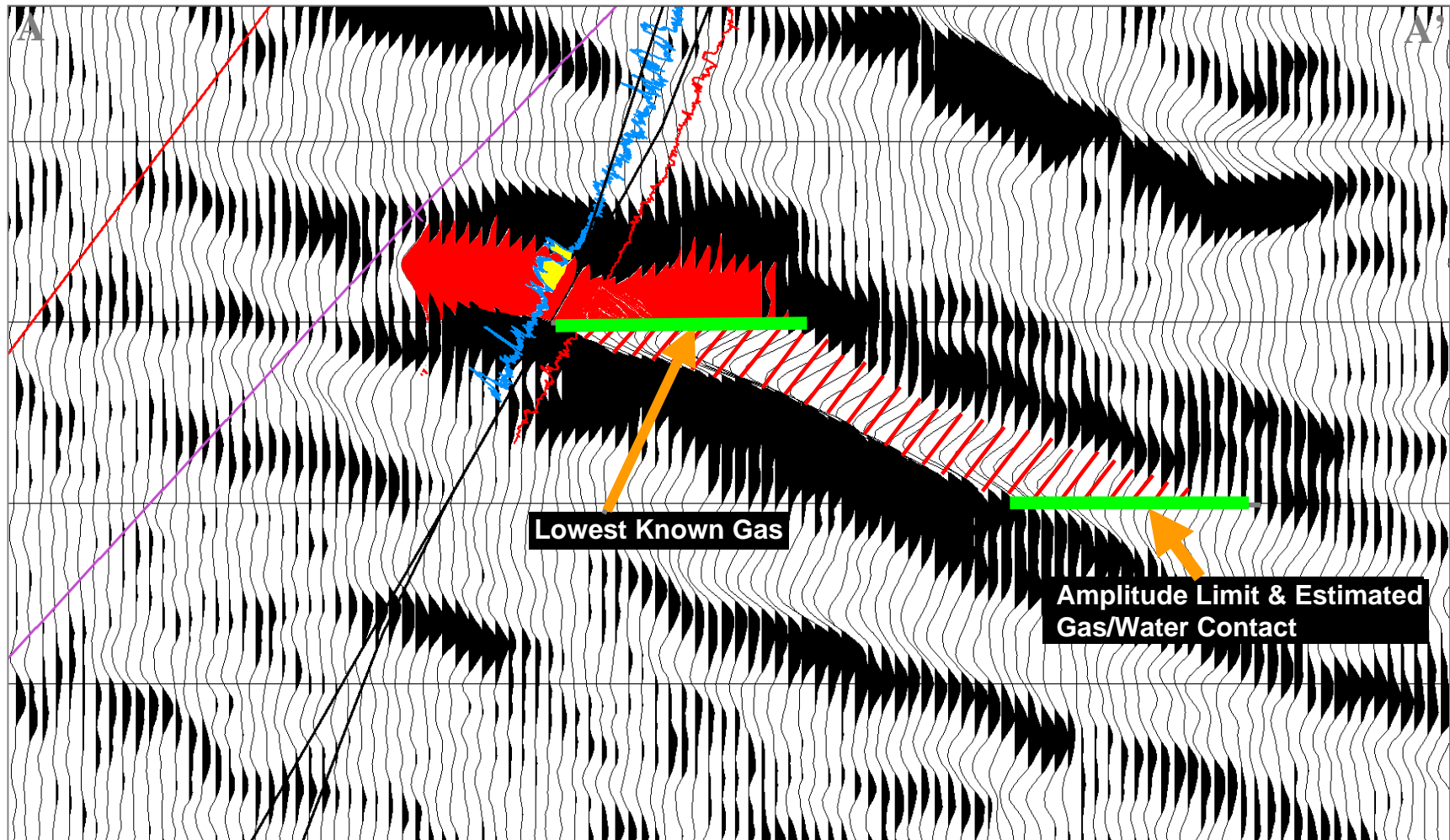
# Appendix



# Proved Reserve Bookings Example



# Proved Reserve Bookings - Pluto MC 718

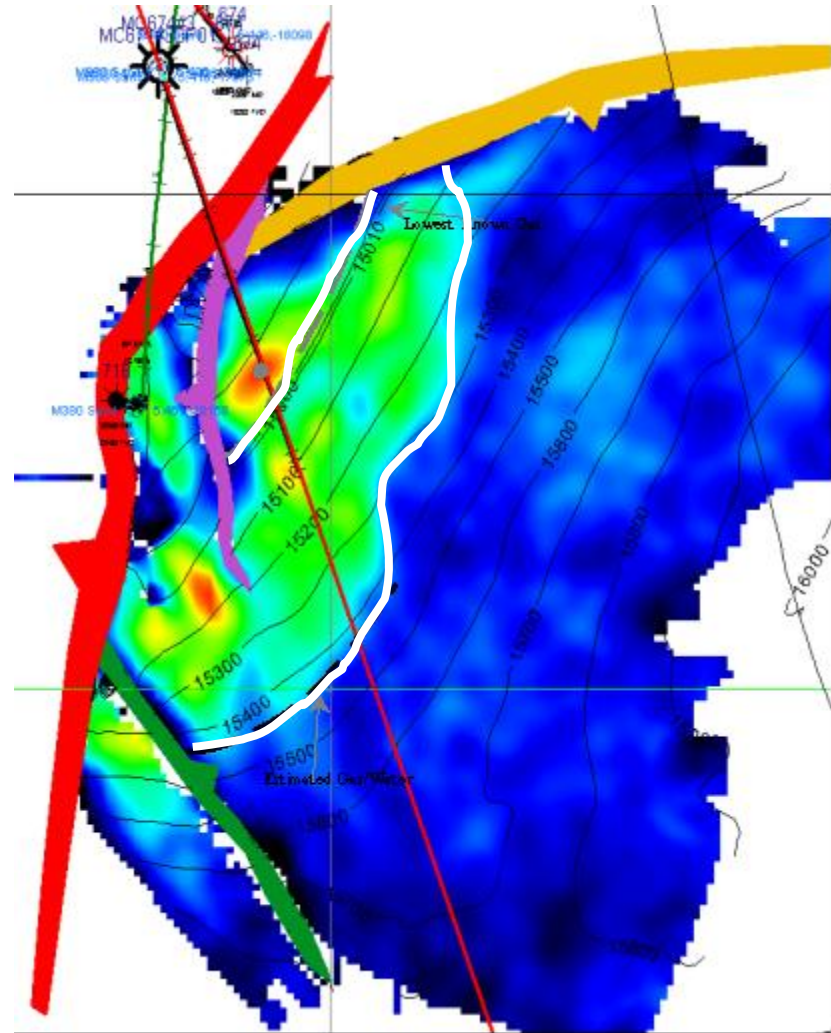


3-D Seismic Courtesy of WesternGeco



# Pluto MC 718 #3 M1:50 Deepwater Sand

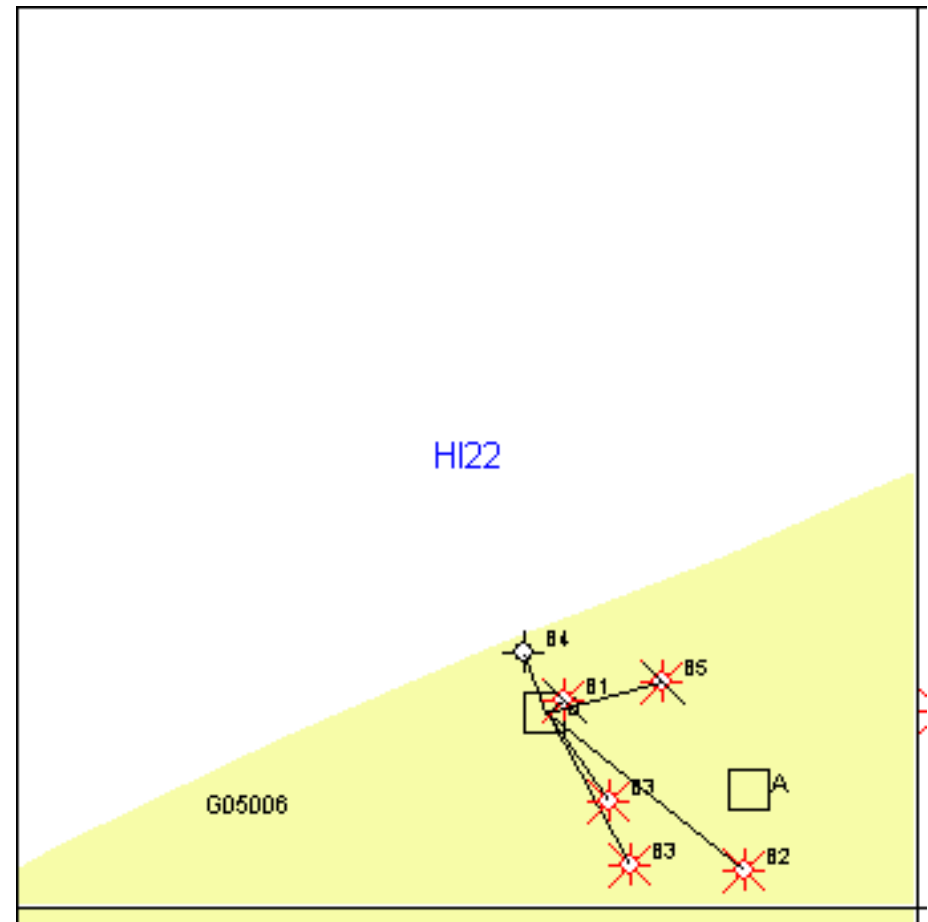
- ▶ Example of limited proved reserve bookings
- ▶ Initial production in mid-September 2006



# High Island 22

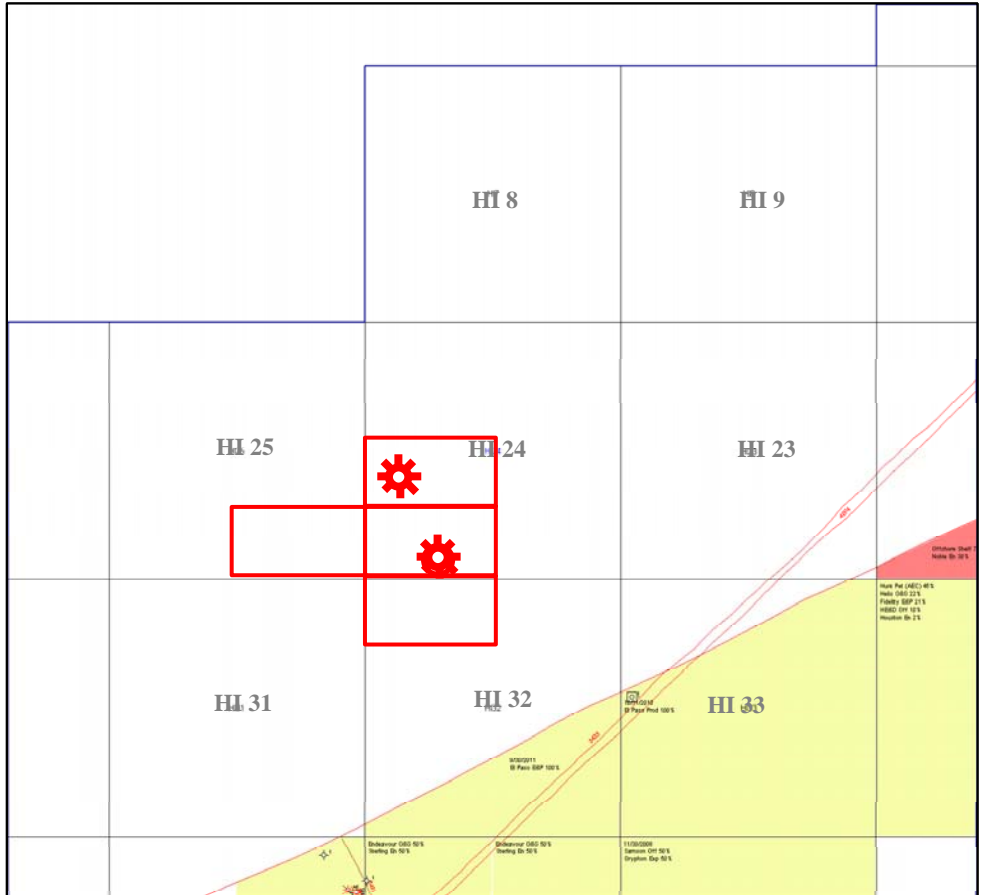
## High Island 22

- ▶ 100% W&T working interest
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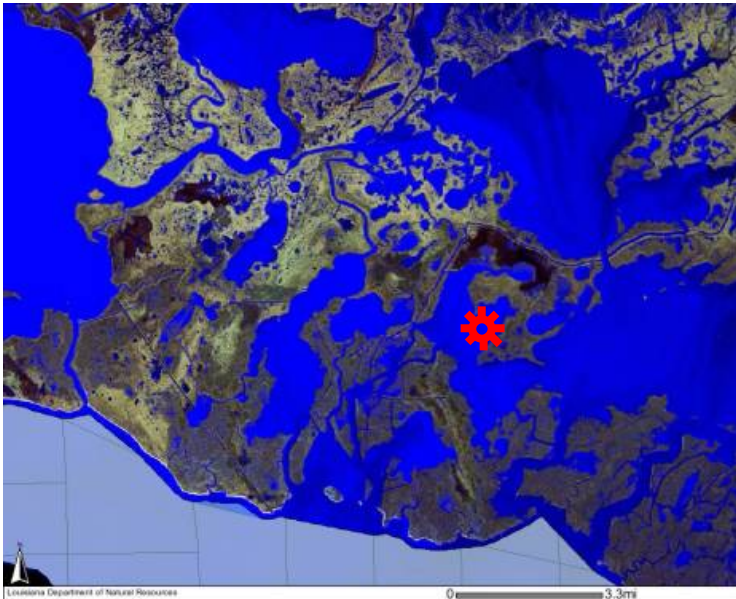


# High Island 24

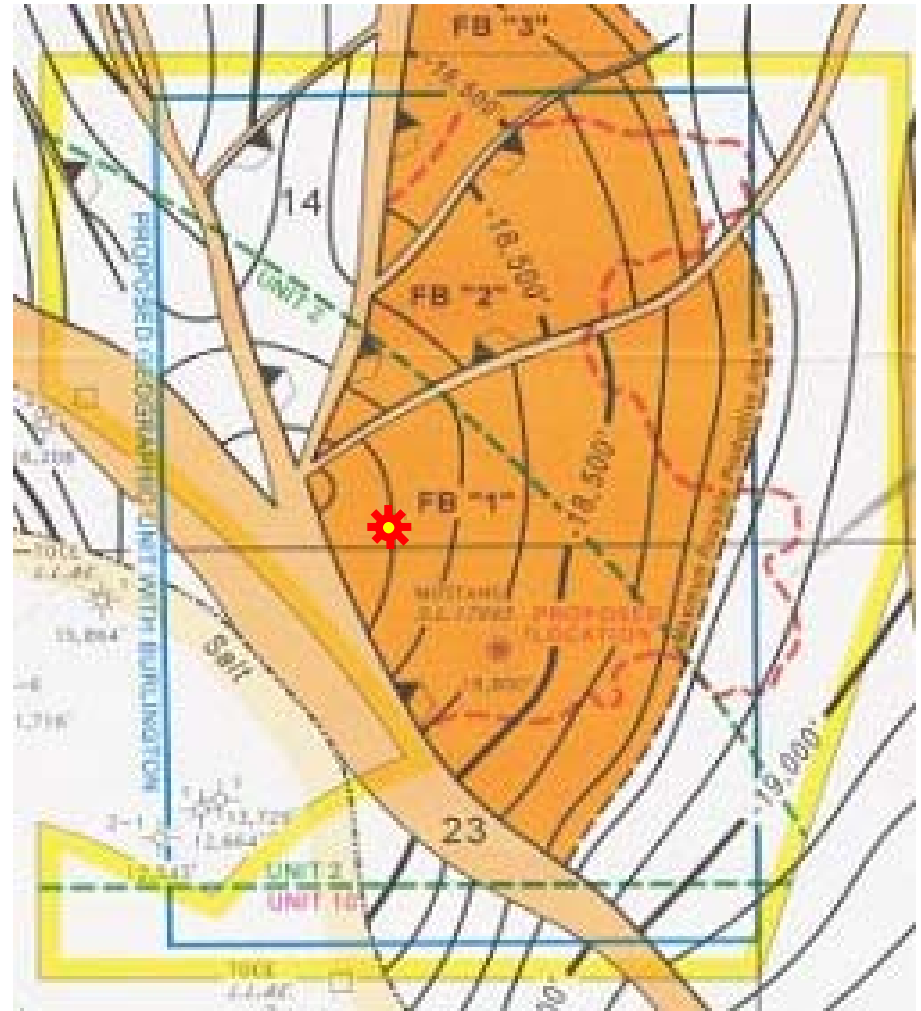
- ▶ 25% W&T working interest
- ▶ 40 feet of water depth
- ▶ Initial discovery well drill Sept 2006
  - 500' gross pay- 300' net gas
  - Initial production test – 49 MMcfe/day gross
- ▶ Successful offset well completed in March 2007
  - 470' gross pay – 200' net gas
  - Initial production test – 52 MMcfe/day gross
- ▶ First production anticipated Oct 2007



# Bay Junop Field



- ▶ 100% GWI in S/L 17993 #1 ST Terrebonne Parish, LA
- ▶ 8 Feet Water Depth
- ▶ #1ST reached a Total MD of 18,553 feet on 10/10/06
- ▶ The Well Logged 42' Net Gas in the Big 2 Sand
  - 10 to 15 Bcfe 3P estimated
- ▶ WTI's Deepest Operated Production in the GOM
- ▶ First Production – Late Third Quarter 2007
  - 18.0 MMcfe/d net estimated production



# Reconciliation of Net Income to EBITDA

The following table presents a reconciliation of our consolidated net income to consolidated EBITDA to Adjusted EBITDA:

	Year Ended December 31,							Six Months Ended June 30,
	2000	2001	2002	2003	2004	2005	2006	2007
(\$ in thousands)								
Net income	\$ 48,204	\$ 63,569	\$ 2,049	\$ 116,582	\$ 149,482	\$ 189,023	\$ 199,104	\$ 58,550
Income taxes	--	--	52,408	61,156	80,008	101,003	107,205	30,162
Net interest expense (income)	4,918	3,902	3,001	2,229	1,842	(1,601)	11,261	19,408
Depreciation, depletion, amortization and accretion	29,775	65,293	89,941	143,692	164,808	183,833	337,627	250,245
EBITDA	\$ 82,177	\$ 132,764	\$ 147,399	\$ 323,659	\$ 396,140	\$ 472,258	\$ 655,242	\$ 358,365
Loss on extinguishment of debt	--	--	--	--	--	--	--	2,806
Unrealized derivatives loss (gain)	--	--	--	--	--	--	(13,476)	14,991
Adjusted EBITDA	\$ 82,177	\$ 132,764	\$ 147,399	\$ 323,659	\$ 396,140	\$ 472,258	\$ 641,766	\$ 376,162

EBITDA is defined as net income plus income tax expense, net interest (less income) expense, depreciation, depletion, amortization and accretion. Although not prescribed under GAAP, we believe the presentation of EBITDA is relevant and useful because it helps our investors understand our operating performance and makes it easier to compare our results with those of other companies that have different financing, capital or tax structures. EBITDA should not be considered in isolation from or as a substitute for net income, as an indication of operating performance or cash flows from operating activities or as a measure of liquidity. EBITDA, as we calculate it, may not be comparable to EBITDA measures reported by other companies. In addition, EBITDA does not represent funds available for discretionary use. "Adjusted EBITDA" excludes the unrealized gain or loss related to open derivative contracts and the loss on extinguishment of debt. Adjusted EBITDA excludes certain items that management believes affect the comparability of operating results.

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