W&T OFFSHORE INC
Form 424B5
July 12, 2006

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Filed pursuant to Rule 424(b)(5)
A filing fee of $51,814, calculated in accordance with
Rule 457(r), has been transmitted to the SEC in connection
with the securities offered from the registration statement
(File No. 333-132960) by means of this prospectus supplement

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the attached prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated July 12, 2006.

PROSPECTUS SUPPLEMENT

(To Prospectus Dated April 3, 2006)

11,000,000 Shares

Common Stock

In this offering of 11,000,000 shares, we are offering 8,500,000 shares and the selling shareholders identified in this prospectus supplement are offering an additional 2,500,000 shares. We will not receive any proceeds from the sale of shares by the selling shareholders. Certain of the selling shareholders are members of our senior management. See Selling Shareholders on page S-27 of this prospectus supplement.

Our common stock is listed on the New York Stock Exchange under the symbol WTI. On July 10, 2006, the last sale price of the shares as reported on the New York Stock Exchange was $37.64 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-18 of this prospectus supplement.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to W&T (before expenses)	$	$
Proceeds to the Selling Shareholders (before expenses)	$	$

We and the selling shareholders have granted the underwriters a 30-day option to purchase up to an additional 1,650,000 shares from us and the selling shareholders on the same terms and conditions as set forth above if the underwriters sell more than 11,000,000 shares of common stock in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about , 2006.

Joint Book-Running Managers

LEHMAN BROTHERS **JEFFERIES & COMPANY** **MORGAN STANLEY**

BMO CAPITAL MARKETS

JPMORGAN

RBC CAPITAL MARKETS

RAYMOND JAMES

NATEXIS BLEICHROEDER INC.

SunTrust Robinson Humphrey

TD Securities

, 2006

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common stock. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common stock. If the information about the common stock offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, the selling shareholders have not and the underwriters have not authorized anyone to provide you with information different from that contained in this prospectus supplement and the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are, the selling shareholders are and the underwriters are offering to sell the common stock, and seeking offers to buy the common stock, only in jurisdictions where offers and sales are permitted. You should not assume that the information included in this prospectus supplement or the accompanying prospectus is accurate as of any

date other than the dates shown in these documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus and the sale of the common shares offered hereby. Our business, financial condition, results of operations and prospects may have changed since such dates.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. It may not contain all the information that you consider important. We encourage you to read this prospectus supplement, the accompanying prospectus and the documents to which we have referred you in their entirety for a more complete understanding of this offering. Both estimates of our proved oil and natural gas reserves at December 31, 2005 and estimates of the proved oil and natural gas reserves of the Kerr-McGee Properties included in the Kerr-McGee Transaction discussed below at September 30, 2005, included or incorporated by reference in this prospectus supplement, are based on reports prepared by Netherland, Sewell & Associates, Inc., an independent petroleum consultant, included as Appendices A and B, respectively. You will find definitions for oil and natural gas industry terms used throughout this prospectus supplement in Glossary of Certain Oil and Natural Gas Terms. References to W&T, we, our, us or the Company refer to W&T Offshore, Inc. and its subsidiaries. Unless we state otherwise, we assume in this prospectus supplement that the underwriters will not exercise their option to purchase additional shares.

W&T Offshore, Inc.

We are an independent oil and natural gas acquisition, exploitation, exploration and development company. We are focused primarily in the Gulf of Mexico area, where we have developed significant technical expertise and where the high production rates associated with hydrocarbon deposits have historically provided us the best opportunity to achieve a rapid payback and attractive return on our invested capital. We plan to continue to acquire and exploit reserves on the Gulf of Mexico conventional shelf (water depths of 500 feet or less), the area of our traditional source of growth, as well as in the deepwater (water depths in excess of 500 feet) and the deep shelf (well depths in excess of 15,000 feet).

We believe attractive acquisition opportunities will continue to arise in the Gulf of Mexico as other oil and gas companies continue to divest properties as they shift their regional focus and increase their participation in larger, more capital intensive projects. We recently capitalized on this trend by entering into an agreement with Kerr-McGee Oil & Gas Corporation, or Kerr-McGee, to acquire through merger substantially all of Kerr-McGee s conventional shelf properties in the Gulf of Mexico providing for base consideration of approximately $1.3 billion in cash, as described in more detail below. Consistent with our prior transactions, we believe that these properties will provide us with significant exploitation and exploration opportunities.

In addition to our exploitation and exploration drilling of conventional shelf wells in the Gulf of Mexico, we have considerable experience and historical drilling success in the deepwater and deep shelf of the Gulf of Mexico, where we believe that we can enhance our returns and growth rate through exploratory drilling. Our opportunities for deepwater exploration have been enhanced by technological advances in recent years that enable the connection of subsea wells to existing infrastructure over longer distances, eliminating the requirement for new, dedicated production facilities, the installation of which requires long lead times and large capital investments. Furthermore, we believe a significant portion of our acreage has exploration potential below currently producing zones, including deep shelf reserves. Although the cost to drill deep shelf and deepwater wells can be significantly higher than conventional shelf wells, the reserve targets are typically larger, and the use of existing infrastructure should partially offset higher drilling costs.

We believe that the high rate of drilling success we have achieved for both exploration and development wells, including wells drilled in the deepwater and deep shelf, is primarily due to the quality of our prospect inventory. In the five years ended December 31, 2005, we participated in the drilling of 123 wells, of which 92 were exploratory wells and 31 were development wells. In the aggregate, 100 of the 123 wells were successful, equating to an aggregate five-year success rate of 81%. Over that time, our exploratory and development success rates were 78% and 90%, respectively. Year-to-date through June 30, 2006, we have continued our high rate of

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success, drilling 11 successful exploration wells in 14 attempts, of which two are deepwater discoveries and three are deep shelf discoveries. We plan to drill an additional 11 wells during the remainder of 2006, including three deepwater wells and one additional deep shelf well.

On January 23, 2006, we entered into the agreement with Kerr-McGee to acquire through merger substantially all of Kerr-McGee s conventional shelf properties in the Gulf of Mexico. On June 30, 2006, these properties consisted of interests in approximately 100 producing fields in 240 offshore blocks (including 88 undeveloped blocks), most of which were in water depths of 500 feet or less. Upon the closing of this transaction, which we refer to as the Kerr-McGee Transaction, we will own properties with approximately 800 Bcfe of proved reserves and be one of the top three gross acreage holders on the conventional shelf of the Gulf of Mexico with an acreage position of greater than two million gross acres. We estimate that, upon the completion of the Kerr-McGee Transaction, approximately one-third of our proved reserves will be located in each of the eastern, western and central regions of the Gulf of Mexico.

We believe that the Kerr-McGee Transaction will provide us significant exploitation opportunities as Kerr-McGee has identified more than 92 exploration and development prospects on the properties we expect to acquire through merger from Kerr-McGee, which we refer to as the Kerr-McGee Properties, that have not been drilled. Our technical team has already reviewed a significant number of these prospects and believes they are viable. We also believe that we will identify additional prospects on these properties after the Kerr-McGee Transaction is completed. Following the closing of the transaction, we intend to more actively exploit and explore these properties than Kerr-McGee had done in recent years. We expect to close this merger transaction during the third quarter of 2006, subject to regulatory review and customary closing conditions. The base consideration for this transaction is subject to adjustment for various items, including adjustments for revenues, expenses and product imbalances recorded subsequent to October 1, 2005 applicable to the Kerr-McGee Properties. There is no assurance that this transaction will be completed, and this offering of common stock will not be conditioned on the closing of the Kerr-McGee Transaction.

The table below sets forth certain reserve and other information related to W&T and the Kerr-McGee Properties. All reserve data for W&T was determined as of December 31, 2005 and all reserve data for the Kerr-McGee Properties was determined as of September 30, 2005. The combined reserve data combines the reserve data set forth in the table below for W&T as of December 31, 2005 and for the Kerr-McGee Properties as of September 30, 2005, but does not reflect what the proved reserve volumes would have been on a pro forma basis if a reserve report had been prepared for the Kerr-McGee Properties as of December 31, 2005 because estimated reserve quantities change over time due to factors such as revisions of previous estimates, production and extensions and discoveries. Further, commodity price levels can affect the quantities of reserves that can be economically produced and thus considered to be proved reserves.

	W&T (As of December 31, 2005)(1)	Kerr-McGee Properties (As of September 30, 2005)(2)	Combined Total(3)
Reserve data (Bcfe):			
Proved developed	318.6	239.5	558.1
Proved undeveloped	172.9	105.8	278.7
Total proved reserves	491.5	345.3	836.8
Natural gas percentage of proved reserves	43.9%	72.9%	55.9%
Reserve report commodity prices:			
Natural gas ($/MMBtu)	$ 9.73	$ 15.48	
Oil ($/Bbl)	$ 57.75	$ 63.00	
PV-10 (in millions)(4)	$ 2,416	$ 2,999	

Standardized measure of discounted future net cash flow (in millions)(4)	$ 1,596	$ 2,264

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(1) Our reserve estimates have been calculated using the prices for natural gas and oil as of December 31, 2005 set forth in the table above, in each case without giving effect to hedging transactions. The prices in the table above also do not reflect adjustments for quality, transportation fees, energy content and regional price differentials. We estimate that if natural gas prices decline by $0.10 per MMBtu from the price utilized in determining our proved reserves, the PV-10 of our proved reserves as of December 31, 2005 would decrease from $2,416 million to $2,401 million and the quantity of our reserves would decline by 44,500 Mcf of natural gas and 4,400 barrels of oil and natural gas liquids. We estimate that if oil prices decline by $1.00 per barrel from the price utilized in determining our proved reserves, then the PV-10 of our proved reserves as of December 31, 2005 would decrease from $2,416 million to $2,387 million and the quantity of our reserves would decline by 52,500 Mcf of natural gas and 20,400 barrels of oil and natural gas liquids. Estimates of PV-10 of reserves and the quantity of reserves would likely decline at a rate proportionately greater than specified above if natural gas and oil prices decline significantly from those used in calculating such estimates.

(2) The reserve estimates for the Kerr-McGee Properties have been calculated using the prices for natural gas and oil as of September 30, 2005 set forth in the table above, in each case without giving effect to hedging transactions. The prices in the table above also do not reflect adjustments for quality, transportation fees, energy content and regional price differentials. We estimate that if natural gas prices decline by $0.10 per MMBtu from the price utilized in determining the proved reserves related to the Kerr-McGee Properties, the PV-10 of the proved reserves related to the Kerr-McGee Properties as of September 30, 2005 would decrease from $2,999 million to $2,980 million and the quantity of the reserves would decline by 116,400 Mcf of natural gas and 8,800 barrels of oil and natural gas liquids. We estimate that if oil prices decline by $1.00 per barrel from the price utilized in determining the proved reserves related to the Kerr-McGee Properties, then the PV-10 of the proved reserves related to the Kerr-McGee Properties as of September 30, 2005 would decrease from $2,999 million to $2,988 million and the reserves related to the Kerr-McGee Properties would decline by 134,800 Mcf of natural gas and 29,800 barrels of oil and natural gas liquids. Estimates of PV-10 of reserves and the quantity of reserves would likely decline at a rate proportionately greater than specified above if natural gas and oil prices decline significantly from those used in calculating such estimates.

(3) Our combined reserve estimates have been calculated using December 31, 2005 estimates for W&T and using September 30, 2005 estimates for the Kerr-McGee Properties, which estimates in each case were based upon engineering reports prepared by Netherland, Sewell & Associates, Inc. The combined reserve data should not be considered as pro forma reserve data since the reserve data for W&T and for the Kerr-McGee Properties was determined as of two different dates. For purposes of preparing the unaudited footnote related to reserves that constitutes a part of the statements of revenues and direct operating expenses for the Kerr-McGee Properties, W&T prepared an estimate of reserves of the Kerr-McGee Properties at December 31, 2005 by (i) subtracting from the Netherland Sewell & Associates, Inc. reserve estimate at September 30, 2005 the quantity of oil and natural gas produced from the Kerr-McGee Properties for the period from September 30, 2005 through December 31, 2005 (approximately 10.8 Bcfe) and (ii) applying prices for natural gas and oil at December 31, 2005 (rather than the September 30, 2005 prices utilized for purposes of the September 30, 2005 reserve estimate), which resulted in an additional 8.7 Bcfe decrease. These adjustments do not account for any other factors such as discoveries, revisions or extensions that may have occurred subsequent to September 30, 2005.

(4) Please see Summary Reserve and Operating Data PV-10 Reconciliation.

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During 2006, we expect to spend approximately $346 million on capital projects and approximately $54 million on major maintenance expense, workovers, seismic costs and plug and abandonment costs. These expenditures do not include estimated costs to repair damage to our facilities caused by Hurricanes Katrina and Rita in 2005, which we believe our insurance policies will adequately cover. This capital and major expenditure budget for 2006 does not include any incremental expenditures that may result from the Kerr-McGee Transaction. We expect to spend a total of approximately $50 million for the year ending December 31, 2006 to develop the Kerr-McGee Properties. We expect to fund this increase in our capital and major expenditure budget primarily from cash flow generated by these properties and available borrowing capacity under our new bank credit facility. Please read New Credit Facility below.

Business Strategy

Our goal is to generate a high return on equity and to increase our production and reserves through executing the following elements of our business strategy:

- acquiring reserves with substantial upside potential and additional leasehold acreage complementary to our existing acreage position at attractive prices;
- exploiting existing and acquired properties to add additional reserves and production;
- exploring for reserves on our extensive acreage holdings; and
- maintaining adequate balance sheet strength to provide flexibility to pursue growth opportunities.

Competitive Strengths

We believe we are well positioned to execute our business strategy because of the following competitive strengths:

Proven Acquisition Strategy. Our method of identifying and evaluating targets has translated into a high rate of return per transaction. Our strategy involves:

- targeting under-exploited assets;
- identifying additional sources of value through the application of technical resources; and
- acquiring proven reserves at an attractive rate of return along with significant upside potential from exploration opportunities.

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Since 1999, we have completed five significant transactions to acquire oil and gas properties in the Gulf of Mexico. The following table reflects the total amount of proved reserves attributable to these properties as of the date before the closing of each transaction, the total amount of production from these properties subsequent to the respective date of transaction and the proved reserves attributable to these properties as of December 31, 2005, in each case excluding reserves and production attributable to the Kerr-McGee Properties.

(1) Aggregate proved reserves at the date of closing of our acquired properties.
(2) Production subsequent to such transactions attributable to such acquired properties through December 31, 2005.
(3) Proved reserves attributable to such acquired properties as of December 31, 2005.

Track Record of Drilling Success. We have a proven track record of success in drilling both exploratory and development wells in the Gulf of Mexico over a substantial period. The following tables show our success rates for our exploration and development wells, which we define as completed or planned for completion, for the five-year period ending December 31, 2005 as well as our success rates for 2005.

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Substantial Acreage Position and Prospect Inventory. Upon completion of the Kerr-McGee Transaction, we will be one of the top three gross acreage holders on the conventional shelf of the Gulf of Mexico with an acreage position of greater than two million gross acres, of which approximately 68% will be acreage held-by-production. Acreage held-by-production is attractive because it permits us to maintain all of our exploration, exploitation and development rights (including rights to explore, exploit and develop zones below currently producing zones) in the leased area as long as production continues. Most of this held-by-production acreage entitles us the right to propose future deep shelf exploration and development projects. In addition, this held-by-production acreage has significant existing infrastructure, which reduces development lead times and cost, and this infrastructure frequently allows for relatively quick tie back of production from deep shelf discoveries. During the five-year period ended December 31, 2005, we drilled 91 development and exploration wells on our held-by-production acreage, of which 78 were successful.

Deepwater and Deep Shelf Experience. We have gradually extended our acquisition and drilling activities into the deeper waters and deeper producing zones of the Gulf of Mexico. In 2000, we acquired our first deepwater interest, and in 2001, we drilled our first deep shelf well. In the five years ended December 31, 2005, we have drilled or participated in 17 wells on properties in the deepwater with a 59% success rate and six deep shelf wells with a 67% success rate. During this period, we placed three deepwater discoveries onstream and plan to have authorization to develop three more deepwater fields in 2006. Also during this period, we made four discoveries in the deep shelf. We have made three other deepwater discoveries, which may be authorized for development this year and developed in 2007 or 2008. As of June 2006, we have made three additional deep shelf discoveries, which should all be on production by the end of the third quarter. We have at least 20 additional deepwater prospects in inventory at present and plan to drill three more prospects during 2006.

Committed, Experienced Management. We have assembled a senior management team with considerable technical expertise and industry experience. Our founders, Tracy W. Krohn, Chairman, Chief Executive Officer, President and Treasurer, and Jerome F. Freel, Chairman Emeritus and Secretary, each have more than 20 years of experience as executive managers of oil and gas companies. Mr. Krohn and his immediate family will collectively own more than 50% of our outstanding capital stock after this offering. The other members of our management team average more than 20 years of experience in the industry, including an average of approximately seven years with us.

Conservative Financial Approach. We believe our conservative financial approach has contributed to our success and positioned us to capitalize on new opportunities as they develop. We have typically relied solely on net cash provided by operating activities and traditional commercial bank credit facilities to fund our growth. We have historically limited annual capital spending for exploration, exploitation and development activities to net cash provided by operating activities and typically used our bank credit facility for acquisitions and to balance working capital fluctuations. In the future, as we further expand our operations into the higher impact deepwater and deep shelf areas of the Gulf of Mexico, our capital spending may exceed net cash provided by operating activities, in which event we may issue debt or additional equity securities to fund such future expenditures.

Recent Developments

2006 Drilling Update. As of June 30, 2006, we have successfully drilled 11 out of 14 exploration wells and five out of five development wells during 2006. Of the 14 exploration wells, three were in the deepwater, three were in the deep shelf and eight were conventional shelf wells. In the second quarter of 2006, we drilled five successful exploration wells and three successful development wells of which one was a deep shelf discovery and seven were on the conventional shelf. Three non-commercial exploration wells were also drilled during the second quarter, including two conventional shelf wells and one in the deepwater. The combined non-commercial well cost of the two conventional shelf wells was approximately $13 million, which is approximately 5% of our conventional shelf budget, and the cost of the non-commercial well in the deepwater was approximately $6 million, which is approximately 3% of our deepwater budget.

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Production and Hurricane Update. As of June 30, 2006, we were producing approximately 221 MMcfe net per day, which represents approximately 88% of our pre-Hurricane Katrina production rate. We anticipate achieving pre-Hurricane Katrina production levels in the third quarter of 2006. As of June 30, 2006, we estimated that 17 MMcfe per day of net production was shut-in because of Hurricanes Katrina and Rita in 2005, primarily due to issues related to field infrastructure and product sales pipelines. We have approximately $28 million in hurricane insurance receivables that we believe we will collect over the course of this year. We estimate that additional receivables of approximately $50 million, which are also expected to be collected, will accrue during the year as repair work continues. The estimated production for the Kerr-McGee Properties for the fourth quarter of 2005 was approximately 11.0 Bcfe, which represents approximately 50% of their pre-Hurricane Katrina production rate. The production as of June 11, 2006 was approximately 178 MMcfe/d. Kerr-McGee is obligated to pay for all necessary repairs to the field infrastructure related to the damage caused by Hurricanes Katrina and Rita.

2006 Lease Sale Activity. During the first half of 2006, we were the high bidder on four of the seven bids submitted for blocks in the central region of the Gulf of Mexico and the MMS has awarded leases to W&T on all four high bids. Three of these blocks are in the deepwater and one block is on the conventional shelf. The next outer continental shelf sale is scheduled for August 16, 2006 covering the western Gulf of Mexico.

New Credit Facility

In connection with the Kerr-McGee Transaction, we have entered into a new credit agreement that provides for a $1.3 billion senior secured credit facility. The credit facility will consist of (1) a revolving loan facility with an initial availability of $300 million, (2) a Tranche A term loan in the amount of $500 million and (3) a Tranche B term loan in the amount of $300 million. Upon the completion of the Kerr-McGee Transaction, our initial availability under this credit facility will be $1.1 billion. Availability under the new credit facility is subject to re-determination on March 1 and September 1 of each year commencing September 1, 2007. Borrowings under the credit facility are subject to satisfaction of availability determinations. In addition, the credit facility includes a letter of credit facility in the amount of $90 million, under which letters of credit may be issued as long as revolving loans may be advanced and subject to availability under the revolving loan facility. If the funding of the Tranche A loan occurs on or after May 31, 2006, the Tranche A term loan amount will be reduced by $37.5 million; if the funding of the Tranche A loan occurs on or after June 30, 2006, such amount will be further reduced by an additional $37.5 million; and if the funding of the Tranche A loan occurs on or after July 31, 2006, such amount will be further reduced by an additional $37.5 million. The revolving loan facility matures three years from the closing date of the Kerr-McGee Transaction (the Closing Date), the Tranche A loan matures 15 months from the Closing Date and the Tranche B loan matures four years from the Closing Date.

The new credit facility will not be effective unless the Kerr-McGee Transaction has been consummated on or before September 30, 2006, and until this new credit facility becomes effective, no loan advances will be made or letters of credit issued under this new credit facility. Our existing credit facility will remain in full force and effect in accordance with its terms until the new credit facility becomes effective.

Corporate Information

We are a Texas corporation. Our principal executive offices are located at Eight Greenway Plaza, Suite 1330, Houston, Texas 77046. Our telephone number is (713) 626-8525. We maintain a website at *www.wtoffshore.com*, which contains information about us. Our website and the information contained on it and connected to it will not be deemed incorporated by reference into this prospectus supplement.

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The Offering

Common stock offered by W&T	8,500,000 shares(1)
Common stock offered by the selling shareholders	2,500,000 shares(1)
Common stock outstanding after this offering	74,633,226 shares(1)(2)
Option to Purchase Additional Shares	1,650,000 shares. The shares to be sold upon any exercise of the underwriters option to purchase additional shares will be sold by us and the selling shareholders on a pro rata basis. Please read Selling Shareholders and Underwriting Option to Purchase Additional Shares for more information.
Use of proceeds	The net proceeds to us from this offering, after deducting discounts to the underwriters and estimated expenses of the offering, will be approximately $308.8 million, based on an assumed offering price to the public of $37.64 per share. Net proceeds to us, together with cash on hand and borrowings under our bank credit facility, are expected to be used to finance the cash consideration related to our pending Kerr-McGee Transaction and to pay related fees and expenses. Any net proceeds from this offering that we do not use for the purposes described above will be used for general corporate purposes, which may include among other things, funding capital expenditures related to our drilling activities. We will not receive any of the proceeds from the sale of our common stock by the selling shareholders. Certain of the selling shareholders are members of our senior management. Please read Use of Proceeds.
NYSE symbol	WTI

(1) Excludes shares that may be issued to the underwriters pursuant to their option to purchase additional shares. If the underwriters exercise their option to purchase additional shares in full, the total number of shares of common stock offered will be 12,650,000, of which 9,775,000 will be offered by us and 2,875,000 will be offered by the selling shareholders, and the total number of shares of our common stock outstanding after this offering will be 75,908,226. We had 66,133,226 shares of our common stock outstanding at June 30, 2006.

(2) Excludes 2,151,008 shares of common stock potentially issuable upon awards under our stock compensation plans that may be granted in the future.

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Risk Factors

You should carefully consider all information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein. In particular, you should evaluate the specific risk factors set forth in the section entitled Risk Factors beginning on page S-18 of this prospectus supplement, beginning on page 3 of the accompanying prospectus and beginning on page 9 of our Annual Report on Form 10-K for the year ended December 31, 2005, for a discussion of risks relating to an investment in our common stock. These risks include, but are not limited to, the following:

- acquisitions may prove to be worth less than we paid because of uncertainties in evaluating recoverable reserves and potential liabilities;

- our acquisition strategy involves risks that may adversely affect our business;

- our pending Kerr-McGee Transaction may not close as anticipated;

- if the Kerr-McGee Transaction closes, we will have substantial indebtedness under our credit facility and may incur substantially more debt. Any failure to meet our debt obligations would adversely affect our business and financial condition;

- lower oil and gas prices could negatively impact our ability to borrow;

- the unavailability or high cost of additional drilling rigs, equipment, supplies, personnel and oil field services could adversely affect our ability to execute on a timely basis our exploration and development plans within our budget;

- we may decide not to drill some of the prospects we have identified;

- prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities or quantities sufficient to meet our targeted rate of return;

- losses and liabilities from uninsured or underinsured drilling and operating activities could have a material adverse effect on our financial condition and operations; and

- our stock price and trading volume may be volatile, which could result in substantial losses for our shareholders.

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SUMMARY CONSOLIDATED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following table shows summary historical financial data as of and for the three years in the period ended December 31, 2005, as of March 31, 2006 and for the three months ended March 31, 2005 and 2006, and summary pro forma financial data for the year ended December 31, 2005 and as of and for the three months ended March 31, 2006. All weighted average shares and per share data have been adjusted for the 6.669173211-for-one stock split effected November 30, 2004. The historical financial data below should be read together with, and are qualified in their entirety by reference to, our historical consolidated financial statements and the accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations, which are set forth in our annual report on Form 10-K for the year ended December 31, 2005 and our quarterly report on Form 10-Q for the quarter ended March 31, 2006, which are incorporated by reference into this prospectus supplement.

The summary unaudited pro forma data set forth below was derived from the unaudited pro forma financial statements included elsewhere in this prospectus supplement and should be read in conjunction with those statements. The unaudited pro forma condensed consolidated statement of income gives effect to the Kerr-McGee Transaction as if it occurred on January 1, 2005 and is based on assumptions and includes adjustments as explained in the notes to the unaudited pro forma financial statements included in this prospectus supplement. The unaudited pro forma financial information is not necessarily indicative of the results that actually would have been achieved during the year ended December 31, 2005 or the three months ended March 31, 2006 or that may be achieved in the future. The unaudited pro forma consolidated balance sheet information gives effect to the Kerr-McGee Transaction as if it occurred on March 31, 2006.

On July 12, 2006, we filed a current report on Form 8-K with the Securities and Exchange Commission (SEC) which included historical statements of revenues and direct operating expenses related to the Kerr-McGee Properties and related pro forma financial statements showing the pro forma effects of the Kerr-McGee Transaction. We refer you to the Form 8-K, which is incorporated by reference into this prospectus supplement, for additional information about the Kerr-McGee Transaction. The pro forma financial statements are also included in this prospectus supplement beginning on page PF-1.

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	Year Ended December 31,			Three Months Ended March 31,		Pro Forma	
						Year Ended December 31,	Three Months Ended March 31,
	2003(1)	2004	2005	2005	2006	2005	2006
	(in thousands, except per share data)						
Statement of Income Information:							
Revenues:							
Oil and gas	$ 421,435	$ 508,195	$ 584,564	$ 128,724	$ 156,852	$ 1,146,090	$ 268,120
Other	1,152	520	572	348	5,278	1,110	5,558
Total revenues	422,587	508,715	585,136	129,072	162,130	1,147,200	273,678
Expenses:							
Lease operating	65,947	73,475	71,758	16,153	15,780	159,363	45,772
Gathering, transportation and production taxes	10,213	14,099	12,702	4,496	1,256	20,807	3,241
Depreciation, depletion and amortization	136,249	155,640	174,771	38,957	46,838	465,826	103,800
Asset retirement obligation accretion(2)	7,443	9,168	9,062	2,312	2,254	18,670	4,777
General and administrative(3)(4)(5)	22,912	25,001	28,418	6,909	11,660	36,444	13,666
Total operating expenses	242,764						