



Stone Energy Corporation

Company Profile

Publication Date: 1 Jul 2008

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COMPANY OVERVIEW

Stone Energy is a Gulf Coast Basin-focused independent oil and gas company. It is engaged in the acquisition and subsequent exploration, development, production and operation of oil and gas properties. It is also engaged in an exploratory joint venture in Bohai Bay, China. The company is headquartered in Lafayette, Louisiana and employs 224 people.

The company recorded revenues of \$753.3 million in the fiscal year ended December 2007, an increase of 9.3% over 2006. The company's operating profit was \$285.5 million in fiscal year 2007, when compared to an operating loss of \$365.2 million in 2006. Its net profit was \$181.4 million in fiscal year 2007, when compared to a net loss of \$254.2 million in 2006.

KEY FACTS

| | |
|---------------------------------------|---|
| Head Office | Stone Energy Corporation 625 East Kaliste Saloom Road Lafayette Louisiana 70508 USA |
| Phone | 1 337 237 0410 |
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| Web Address | http://www.stoneenergy.com |
| Revenue / turnover (USD Mn) | 753.2 |
| Financial Year End | December |
| Employees | 224 |
| New York Stock Exchange Ticker | SGY |

BUSINESS DESCRIPTION

Stone Energy is a Gulf Coast Basin-focused independent oil and gas company. The company's property portfolio consists of around 60 active properties and about 28 primary term leases in the Gulf Coast Basin and over 30 active properties in the Rocky Mountains.

The company has estimated proved reserves of approximately 816.3 billion cubic feet of gas equivalent (bcfe), 75% of which are classified as proved developed and 57% of which are natural gas. It produces an average of 265.5 million cubic feet of gas equivalent (MMcfe) per day.

Stone Energy's oil and natural gas production is sold at current market prices under short-term contracts providing for variable or market sensitive prices. Customers include Cinergy Marketing and Trading, Duke Energy Trading and Marketing and Equiva Trading.

HISTORY

Stone Energy was incorporated in Delaware in 1993. It completed its initial public offering of common stock in the same year on the New York Stock Exchange.

Later during 2001, the company merged with Basin Exploration. The merger increased the company's property base to 46 producing properties by adding 25 Gulf Coast Basin and 33 Rocky Mountain properties.

The company acquired interests in eight producing oil and gas properties and related assets located in the Gulf of Mexico in 2002. The final aggregate purchase price was \$299.7 million.

During 2004, the company sold 21 non-core properties in the Rocky Mountains for around \$8 million. Also during the year, Stone Energy acquired the leasehold rights to approximately 27,000 net acres in Utah for approximately \$5 million.

In the following year, Stone Energy acquired approximately 35,000 net exploration acres in the Williston Basin of North Dakota and Montana from a small independent company for approximately \$85 million.

In 2006, Stone Energy signed a definitive agreement to be acquired by Plains Exploration and Production Company in a stock for stock transaction. In the same year, the board of directors of Energy Partners and Stone Energy entered into a definitive agreement to combine the two companies in an acquisition valued at approximately \$2.2 billion.

Stone Energy sold substantially all of its Rocky Mountain properties to Newfield Exploration in two separate transactions for a total cash consideration of approximately \$577.9 million, in June 2007.

In March 2008, Stone Energy appointed Donald E. Powell to its Board of Directors. In the following month of the year, the company entered into a merger agreement with Bois d'Arc.

KEY EMPLOYEES

| Name | Job Title | Board | Compensation |
|----------------------|--|---------------------|--------------|
| David H Welch | President and Chief Executive Officer | Executive Board | 3016194 USD |
| Richard A Pattarozzi | Chairman | Non Executive Board | |
| George R Christmas | Director | Non Executive Board | |
| Robert A Bernhard | Director | Non Executive Board | |
| B J Duplantis | Director | Non Executive Board | |
| John P Laborde | Director | Non Executive Board | |
| David R Voelker | Director | Non Executive Board | |
| Kay G Priestly | Director | Non Executive Board | |
| Donald E Powell | Director | Non Executive Board | |
| Kenneth H Beer | Senior Vice President and Chief Financial Officer | Senior Management | 1284976 USD |
| Andrew L Gates | Senior Vice President General Counsel and Secretary | Senior Management | 736235 USD |
| E J Louviere | Senior Vice President, Land | Senior Management | |
| Kent J Pierret | Senior Vice President Chief Accounting Officer and Treasurer | Senior Management | 720710 USD |
| Florence M Ziegler | Vice President, Human Resources and Administration | Senior Management | |
| Jerome F Wenzel | Senior Vice President, Operations and Exploitation | Senior Management | 789457 USD |
| Richard L Smith | Vice President, Exploration and Business Development | Senior Management | |

KEY EMPLOYEE BIOGRAPHIES

David H Welch

Board: Executive Board
Job Title: President and Chief Executive Officer
Since: 2004
Age: 59

Mr. Welch has been the President and Chief Executive Officer at Stone Energy since 2004. Prior to joining Stone Energy, he served as Vice President of BP since 1999 and most recently, Senior Vice President of BP America since 2003. During his graduate studies at Colorado School of Mines in petroleum engineering and doctoral studies at Tulane University, Mr. Welch also worked full time for the US Geological Survey (now the Minerals Management Services) where he coauthored a Monte Carlo lease sale evaluation software package which is still the basis for Gulf of Mexico bid acceptance evaluation. His B.S. degree is from Louisiana State University and his dissertation at Tulane was World Oil Market Economics. Mr. Welch also graduated from the Harvard Business School, Advanced Management Program and completed BP executive development programs at Stanford Business School and at Cambridge University.

Richard A Pattarozzi

Board: Non Executive Board
Job Title: Chairman
Age: 64

Mr. Pattarozzi currently serves as the Chairman at Stone Energy. He has been a Director of the company since 2000. Mr. Pattarozzi served as the General Manager of Shell's offshore deepwater exploration and production division from 1991 through 1996 and subsequently served as Vice President of the division.

Robert A Bernhard

Board: Non Executive Board
Job Title: Director
Since: 1993
Age: 79

Mr. Bernhard has been a Director at Stone Energy since 1993. He began his business career with Lehman Brothers in 1953 and became a general partner of that firm in 1962. Mr. Bernhard left Lehman Brothers in 1972 to become a partner and a member of the Executive Committee of Abraham & Co. In 1974, he was asked to become a Partner of Salomon Brothers in the corporate finance

department. In 1982, Mr. Bernhard created Bernhard Associates. In 1997, he became a Limited Partner of McFarland Dewey & Company, an investment banking company. Mr. Bernhard is also a Director of SCP Communications and Center Capital.

B J Duplantis

Board: Non Executive Board
Job Title: Director
Since: 1993
Age: 68

Mr. Duplantis has been a Director at Stone Energy since 1993. He is Managing Partner of the law firm of Gordon, Arata, McCollam & Duplantis.

John P Laborde

Board: Non Executive Board
Job Title: Director
Since: 1993
Age: 84

Mr. Laborde has been a Director at Stone Energy since 1993. He is also a Director of Tidewater.

David R Voelker

Board: Non Executive Board
Job Title: Director
Since: 1993
Age: 54

Mr. Voelker has been a Director at Stone Energy since 1993. He is a 50% owner of Frantzen/Voelker Investments.

Kenneth H Beer

Board: Senior Management
Job Title: Senior Vice President and Chief Financial Officer
Since: 2005
Age: 50

Mr. Beer has been the Senior Vice President and Chief Financial Officer at Stone Energy since 2005. Prior to joining Stone, he was a Partner at the investment banking firm of Johnson Rice & company located in New Orleans, where Mr. Beer served as Director of Research and Senior Energy

Analyst for the firm since 1992. Before 1992, he spent six years at Howard Weil as an Energy Analyst and in the Corporate Finance Department. He also worked as an Associate at the Boston Consulting Group. He graduated from Dartmouth College in 1979 with an A.B. in Economics and from Stanford University in 1983 with a Masters of Business Administration

Andrew L Gates

Board: Senior Management
Job Title: Senior Vice President General Counsel and Secretary
Since: 2004
Age: 60

Mr. Gates has been the Senior Vice President, General Counsel and Secretary at Stone Energy since 2004. He previously served as Vice President, General Counsel and Secretary since 1995.

E J Louviere

Board: Senior Management
Job Title: Senior Vice President, Land
Since: 2004
Age: 59

Mr. Louviere has been the Senior Vice President of Land at Stone Energy since 2004. Previously, he served as Vice President, Land since 1995. He has been employed by Stone since its inception in 1993.

Kent J Pierret

Board: Senior Management
Job Title: Senior Vice President Chief Accounting Officer and Treasurer
Since: 2004
Age: 52

Mr. Pierret has been the Senior Vice President, Chief Accounting Officer and Treasurer at Stone Energy since 2004. Previously he served as Vice President and Chief Accounting Officer since 1999 and Treasurer since 2004. Prior to 1999, he was a partner in the firm of Pierret, Veazey & Co., CPAs (and its predecessors) from 1988 to 1999, which performed a substantial amount of the company's financial reporting, tax compliance and financial advisory services.

Florence M Ziegler

Board: Senior Management
Job Title: Vice President, Human Resources and Administration

Since: 2005
Age: 47

Mr. Ziegler has been the Vice President of Human Resources and Administration at Stone Energy since 2005. She has been employed by Stone since its inception in 1993 and served as the Director of Human Resources from 1997 to 2004.

Jerome F Wenzel

Board: Senior Management
Job Title: Senior Vice President, Operations and Exploitation
Since: 2005
Age: 55

Mr. Wenzel has been the Senior Vice President of Operations and Exploitation at Stone Energy since 2005. He joined the company in 2004 as Vice President, Production and Drilling. Prior to joining Stone, Mr. Wenzel held managerial and executive positions with Amoco and BP America over a 29 year career.

Richard L Smith

Board: Senior Management
Job Title: Vice President, Exploration and Business Development
Since: 2007
Age: 49

Mr. Smith has been the Vice President of Exploration and Business Development at Stone Energy since 2007. Prior to joining the company, he served as the General Manager of Deepwater Gulf of Mexico Exploration of Dominion E&P. Mr. Smith has also worked for Exxon Corporation and Texaco USA with experience in deep water, shelf, onshore, and international projects.

MAJOR PRODUCTS AND SERVICES

Stone Energy is an oil and gas company. Its activities include:

Oil and gas property acquisition and exploration
Development, production, and operation of oil and gas properties

TOP COMPETITORS

The following companies are the major competitors of Stone Energy Corporation

Cabot Corporation
Pogo Producing Company
Newfield Exploration Company
St. Mary Land & Exploration Company
Callon Petroleum Co
Meridian Resource Corporation
McMoRan Exploration Company

COMPANY VIEW

A statement by David H Welch, President and Chief Executive Officer of Stone Energy Corporation is given below. The statement has been taken from 2007 annual report.

This past year was a good one for Stone Energy. During the year, we focused the company by divesting our Rockies production, conserved capital, paid down debt and still managed to slightly grow our production and replace production with new reserves. We exited 2007 with zero net debt, an expanded capital budget for 2008, a wide array of options and lots of enthusiasm.

At the start of 2007, we identified and articulated a number of key objectives designed to position Stone for the future by strengthening our financial and operational position. During the year we achieved or exceeded all of these objectives.

Focus Capital on Low Risk Exploitation

Virtually all of the wells drilled in 2007 were low risk exploitation wells and we delivered a drilling success rate of over 90%. Most of these wells were able to commence production shortly after being drilled, with few new facilities or pipelines being needed. We also created and maintained a three year inventory of exploitation projects and intend to continue with this program into 2008 and beyond.

Control Costs

Our operations group was able to reduce lease operating expenses in 2007 despite overall oil field cost inflation. We derived benefits from our supply chain management effort, reduced our vessel and helicopter usage, managed our insurance costs and took proactive steps with preventative maintenance, which improved the integrity of our operations.

Maintain Production While Conserving Capital

The focus of our 2007 program was to maintain production through exploitation drilling, well workover projects, compressor programs, reduced downtime and field optimization. Despite spending less than half of our cash flow and completing the sale of our Rocky Mountain properties at midyear, we were able to increase production volumes over the previous year.

Strategically Exit the Rockies

The favorable value accorded our Rocky Mountain properties last year, combined with our concerns over price differentials, led to our decision to divest our Rocky Mountain properties as an ongoing unit. We executed an efficient and effective sales process and closed the sale of these assets at mid-year. We were pleased to receive cash proceeds of \$578 million for these properties, while also retaining a 35% working interest in several of our exploration plays.

Significantly Reduce Debt

Stone started the year with \$797 million in debt, which restricted our alternatives and opportunities. However, with our capital conservation program and the sale of our Rockies properties, we were able to redeem \$225 million of Senior Floating Rate Notes and completely pay down our bank debt. At year-end we had over \$475 million in cash while debt was down to \$400 million in Subordinated Notes due 2011 and 2014, leaving us with no net debt and excess cash.

Generate Positive Returns

With a capital conserving budget, we were able to focus on profitable projects while bolstering the balance sheet. Our book equity increased by almost \$175 million during the year. In the fourth quarter of 2007, our Board of Directors authorized a share repurchase program of up to \$100 million, which we may use in the future to increase per share returns.

A lot of hard work was put in by the Stone Energy employees to accomplish these goals, and their effort and success is acknowledged and is greatly appreciated.

Outlook for 2008

In 2007, we were able to lay the groundwork for future growth by rebuilding our exploration and business development effort. While our exploitation projects provide us with production and cash flow, our exploration and business development groups are charged with providing profitable future reserve and production growth.

Exploration

We expect to cautiously re-enter the exploration business and will drill a number of exploratory wells in 2008. The exploration plan includes drilling prospects at appropriate ownership levels in the Gulf of Mexico (GOM), onshore in Louisiana, in Bohai Bay and possibly a residual prospect in the Rocky Mountain region. We will participate in the GOM lease sale and continue to add to our seismic library. We have assembled an experienced exploration team and expect to see positive results from the 2008 program.

Business Development

Our strong balance sheet and cash position allows us to review numerous acquisition and drill-to-earn opportunities both offshore and onshore. We remain hopeful that our efforts in this area will provide Stone with properties for future exploration and exploitation projects. We anticipate the capture and testing of an Appalachian shale resource play in 2008.

In summary, the company is in excellent financial condition, has a multi-year inventory of lower risk exploitation opportunities, is well positioned to execute opportunistic acquisitions, has an expanding inventory of exploration and business development prospects and has an experienced team in place

to successfully execute a profitable growth strategy. We are excited and optimistic about our prospects for 2008 and beyond.

We greatly appreciate the support and look forward to delivering value to you, our stockholders.

LOCATIONS AND SUBSIDIARIES

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