

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
LAFAYETTE-OPELOUSAS DIVISION

IN RE: STONE ENERGY CORP.
SECURITIES LITIGATION

Civil Action No. 6:05CV2088 (LEAD)
6:05CV2109 (MEMBER)
6:05CV2220 (MEMBER)

JUDGE TUCKER L. MELANÇON
MAG. JUDGE PATRICK J. HANNA

**NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT,
MOTION FOR ATTORNEYS' FEES AND EXPENSES AND
SETTLEMENT FAIRNESS HEARING**

IF YOU PURCHASED OR OTHERWISE ACQUIRED SHARES OF THE COMMON STOCK OF STONE ENERGY CORPORATION ("STONE ENERGY") BETWEEN MAY 2, 2001, UP TO AND INCLUDING MARCH 10, 2006, AND WERE DAMAGED THEREBY (THE "CLASS"), YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Securities and Time Period: The common stock of Stone Energy purchased or acquired between May 2, 2001, up to and including March 10, 2006 (the "Class Period").

Settlement Amount: \$10,500,000 in cash plus interest (the "Settlement Fund"). Your recovery from the Settlement Fund will depend on the amount of Stone Energy common stock you purchased and/or acquired between May 2, 2001, up to and including March 10, 2006, and the timing of your purchases, acquisitions and any sales. Depending on the number of claims filed and when Class Members purchased, acquired and sold their Stone Energy common stock, the estimated average recovery per damaged share of Stone Energy common stock will be approximately \$0.49. **Please Note: This average is only an estimate, and is before deduction of court-approved fees and expenses.**

The Lawsuit: The Settlement resolves class action litigation regarding Stone Energy. Specifically, the lawsuit involved the issue of whether Stone Energy and certain of the Company's current and former executive officers, D. Peter Canty, David H. Welch, James H. Prince and Kenneth H. Beer, (collectively, the "Defendants"), violated the federal securities laws by disseminating to the public materially false and misleading financial statements and information regarding the Company's proved oil and gas reserves. *See* Question 2 below for more information.

Attorneys' Fees and Expenses: Co-Lead Counsel have litigated this Action on a contingent basis and have conducted this litigation and advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Fund, as is customary in this type of litigation. Court-appointed Co-Lead Counsel will apply to the court for attorneys' fees not to exceed 25% of the Settlement Amount and reimbursement of out-of-pocket expenses not to exceed \$1.2 million, plus interest earned on both amounts at the same rate earned on the Settlement Fund, all to be paid from the Settlement Fund. If the above amounts are requested and approved by the Court, the average cost per damaged share will be \$0.18. **Please note that this amount is only an estimate.**

Deadlines:

Submit Claim:	May 22, 2010
Request Exclusion:	March 9, 2010
File Objection:	March 9, 2010
Court Hearing on Fairness of Settlement:	March 23, 2010

More Information:

Claims Administrator:

Stone Energy Corporation Securities Litigation

c/o The Garden City Group, Inc.

Claims Administrator

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- Your legal rights are affected whether you act or do not act. Please read this Notice carefully.

Statement of Recovery

Lead Plaintiff estimates that approximately 21.6 million shares of Stone Energy common stock were purchased and/or acquired and **potentially damaged** during the Class Period. Lead Plaintiff estimates that if valid claim forms for all damaged shares are submitted, the average payment recovery per damaged share will be \$0.49 per share of Stone Energy common stock before deducting attorneys' fees, costs, and expenses, as approved by the Court. A Class Member's actual recovery will depend on: (1) the number of claims filed; (2) when Class Members purchased and/or acquired their Stone Energy common stock during the Class Period; (3) whether Class Members either sold their shares of Stone Energy common stock during the Class Period, or held their Stone Energy common stock past the end of the Class Period; (4) administrative costs, including the costs of notice, for the Action; (5) the amount awarded by the Court for attorneys' fees and expenses; and (6) the amount awarded by the Court to Lead Plaintiff in connection with its representation of the Class. Distributions to Class Members will be made based on the Plan of Allocation set forth in this Notice or other plan of allocation as may be ordered by the Court. See Plan of Allocation set forth in Question 9.

The Circumstances of the Settlement

The principle reason for Lead Plaintiff's consent to the Settlement is to provide an immediate benefit to the Class. While Co-Lead Counsel believe that they would obtain certification of the Class and that Lead Plaintiff's claims would survive a motion for summary judgment and ultimately result in a verdict for the Class, they also recognize that continued litigation and trial come with risks. But for the Settlement, there was a danger that the Class would not have prevailed on any of their claims, in which case the Class would receive nothing. Here, the claims advanced by the Class involve numerous complex procedural, legal, and factual issues, including issues regarding the Company's reporting of its oil and

gas reserves, which requires voluminous discovery and extensive expert discovery and testimony. The issues on which the parties disagree include, but are not limited to: (1) the method for determining whether Stone Energy common stock traded at artificially inflated prices during the Class Period; (2) the amount of such inflation (if any) during the Class Period; (3) the extent that various facts alleged by Lead Plaintiff influenced the trading price of Stone Energy common stock during the Class Period; (4) the effect of various market forces on the trading price of Stone Energy common stock during the Class Period; and (5) whether the Defendants acted with scienter and are liable under the federal securities laws. If the Action were to proceed, Lead Plaintiff would have to overcome significant defenses to scienter, causation and damages. Lead Plaintiff also faced the risk that the Class would not be certified. This Settlement therefore enables the Class to recover \$10,500,000 in cash without incurring any additional risk or costs. Accordingly, Lead Plaintiff believes that the proposed Settlement is a very good result and is in the best interests of the Class.

Defendants have denied and continue to deny that they have committed any act or omission giving rise to any liability and/or violation of law. Nonetheless, Defendants are entering into this Settlement to eliminate the burden and expense of further litigation and the risk of not prevailing at trial, and therefore, have determined that it is desirable that the Action fully and finally be settled in the manner and upon the terms and conditions set forth in the Stipulation of Settlement dated January 11, 2010 (the “Stipulation”).

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM	The only way to receive a payment from the Settlement Fund. The deadline for submitting a claim form is May 22, 2010.
EXCLUDE YOURSELF	Receive no payment from the Settlement Fund. This is the only option that allows you to participate in another lawsuit against the Defendants or the Released Persons concerning the Released Claims as defined in the Stipulation. The deadline for filing a request to exclude yourself from the Class is March 9, 2010.
OBJECT	You may write to the Court if you do not like this Settlement, the Plan of Allocation, or Co-Lead Counsel’s request for attorneys’ fees and expenses. The deadline for filing an objection is March 9, 2010.
GO TO A HEARING	You may ask to speak in Court about the fairness of the Settlement.
DO NOTHING	Receive no payment from the Settlement Fund and give up your rights with regard to the claims in this lawsuit.

- These rights and options – **and the deadlines to exercise them** – are explained in this Notice. Please note the date of the Settlement Fairness Hearing – currently scheduled for March 23, 2010 – is subject to change without further notice. If you plan to attend the hearing, you should check with Co-Lead Counsel as set forth above, or with the Court, to be sure that no change to the date and time of the hearing has been made.
- The Court in charge of this Action still has to decide whether to approve the Settlement. Payments will be made to Class Members if the Court approves the Settlement and that approval is upheld after any appeals are filed. Please be patient.

BASIC INFORMATION..... 5

1. Why did I receive this Notice package?..... 5

2. What is this lawsuit about?..... 5

3. Why is this Action a class action? 5

4. Why is there a settlement?..... 5

WHO IS IN THE SETTLEMENT 6

5. How do I know if I am part of the Settlement?..... 6

6. What are the exceptions to being included?..... 6

7. I am still not sure if I am included 6

THE SETTLEMENT BENEFITS – WHAT YOU RECEIVE 6

8. What does the Settlement provide? 6

9. How much will my payment be? 6

PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS 7

HOW YOU RECEIVE A PAYMENT – SUBMITTING A CLAIM FORM..... 11

10. How will I receive a payment? 11

11. When will I receive my payment? 11

12. What am I giving up by staying in the Class?..... 11

EXCLUDING YOURSELF FROM THE SETTLEMENT 11

13. How do I exclude myself from the Settlement? 11

14. If I do not exclude myself, can I sue the Defendants for the same thing later? 11

15. If I exclude myself, can I receive a payment from this Settlement?..... 12

THE LAWYERS REPRESENTING YOU..... 12

16. Do I have a lawyer in this case? 12

17. How will the lawyers be paid?..... 12

OBJECTING TO THE SETTLEMENT 12

18. How do I tell the Court that I do not like the Settlement?..... 12

19. What is the difference between objecting and excluding? 13

THE COURT’S SETTLEMENT FAIRNESS HEARING 13

20. When and where will the Court decide whether to approve the Settlement?..... 13

21. Do I have to come to the Settlement Fairness Hearing? 13

22. May I speak at the Settlement Fairness Hearing? 13

IF YOU DO NOTHING 13

23. What happens if I do nothing at all? 13

24. Are there more details about the Settlement?..... 13

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES 14

BASIC INFORMATION

1. Why did I receive this Notice package?

You or someone in your family may have purchased or otherwise acquired shares of the common stock of Stone Energy between May 2, 2001, up to and including March 10, 2006.

If this description applies to you or someone in your family, you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to receive them.

2. What is this lawsuit about?

On or about December 6, 2005, several securities class actions were filed in the United States District Court for the Western District of Louisiana against Stone Energy and certain of the Company's current and former executive officers. These actions were consolidated by Order dated March 17, 2006. By the same Order, the Court appointed the El Paso Firemen and Policemen's Pension Fund ("El Paso") as lead plaintiff and appointed its choice of counsel, Bernstein Litowitz Berger & Grossmann LLP, as lead counsel and Morrow, Morrow, Ryan and Bassett as liaison counsel for the Class.

On June 14, 2006, El Paso filed the Consolidated Class Action Complaint for Violations of the Securities Laws (the "Complaint"), asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC"), against Defendants. The Complaint alleged, *inter alia*, that Defendants overstated the Company's proved oil and gas reserves. The Complaint further alleged that, as a result of Defendants' material misrepresentations, Stone Energy's stock price traded at artificially inflated levels throughout the Class Period. On September 13, 2006, Defendants moved to dismiss the Complaint. After further briefing by both sides, the Court granted in part and denied in part Defendants' motions to dismiss by Order dated October 1, 2007. Thereafter, the parties commenced discovery, including extensive document productions by Stone Energy and third-parties.

El Paso moved for class certification on May 12, 2008. While El Paso's motion was pending, Defendants moved for judgment on the pleadings, and on February 27, 2009, the Court granted in part and denied in part Defendants' motions, dismissing El Paso's individual claims from the Action, but allowing putative Class Members to move for appointment as lead plaintiff. On April 13, 2009, the City of Knoxville Employees' Pension System ("Knoxville") filed a motion for appointment as lead plaintiff, which was granted by the Court on September 30, 2009. By the same Order, the Court appointed Barroway Topaz Kessler Meltzer & Check, LLP to serve, along with Bernstein Litowitz Berger & Grossmann LLP, as Co-Lead Counsel for the Class. Knoxville moved for class certification on October 30, 2009.

While Knoxville's motion for class certification was pending, the parties agreed to participate in formal mediation on November 19 and 20, 2009 before a retired United States District Judge. At the mediation, the parties reached a tentative agreement to settle the Action for a cash payment of \$10,500,000.

3. Why is this Action a class action?

In a class action, one or more people called class representatives (in this case the court-appointed Lead Plaintiff, Knoxville) prosecute their claims on behalf of individuals and entities who have similar claims. All of these individuals and entities who have similar claims are referred to collectively as a Class, or individually as Class Members. One court resolves the issues for all Class Members, except for those who exclude themselves from the Settlement. The United States District Court for the Western District of Louisiana, the Honorable Tucker L. Melançon, is in charge of this Action.

4. Why is there a settlement?

In order to avoid the cost and risks of further litigation and trial, both sides agreed to a settlement. As explained above, Lead Plaintiff and Co-Lead Counsel believe the Settlement is best for all Class Members.

WHO IS IN THE SETTLEMENT

To see if you will potentially receive money from this Settlement, you first have to determine if you are a Class Member.

5. How do I know if I am part of the Settlement?

The Class includes all persons and entities who purchased or otherwise acquired shares of the common stock of Stone Energy between May 2, 2001, up to and including March 10, 2006, and who were damaged thereby, *except those persons and entities that are excluded, as described below.*

6. What are the exceptions to being included?

Excluded from the Class are: Defendants, the officers, directors and senior executives (Vice President and higher) of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.¹ Also excluded from the Class are all persons and entities who exclude themselves from the Settlement by timely requesting exclusion in accordance with the requirements set forth herein.

If you sold shares of Stone Energy common stock during the Class Period, that alone does not make you a Class Member. You are a Class Member only if you purchased or acquired Stone Energy common stock during the Class Period.

7. I am still not sure if I am included.

If you are still not sure whether you are included, you can ask for free help. You can call the Claims Administrator, The Garden City Group, Inc., at 1-866-881-8305, for more information. Or you can fill out and return the claim form described in Questions 9 and 10 to see if you qualify.

THE SETTLEMENT BENEFITS – WHAT YOU RECEIVE

8. What does the Settlement provide?

Defendants have agreed to create a \$10,500,000 cash Settlement Fund. The balance of this fund, after payment of Court-approved attorneys' fees and expenses and the costs of claims administration (the "Net Settlement Fund"), will be divided among Class Members who submit timely and valid claim forms ("Authorized Claimants") pursuant to a Court-approved Plan of Allocation.

9. How much will my payment be?

Each person or entity claiming to be an Authorized Claimant shall be required to submit a separate Proof of Claim and Release form ("Proof of Claim") signed under penalty of perjury and supported by such documents as specified in the Proof of Claim as are reasonably available to the Authorized Claimant. If you are entitled to a payment, your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members submit, the amount of Stone Energy common stock you purchased and/or acquired during the Class Period, and when you purchased, acquired and/or sold your Stone Energy common stock. By following the Plan of Allocation described herein, you can calculate your "Recognized Claim." The Claims Administrator will distribute the Net Settlement Fund to Authorized Claimants after the deadline for submission of Proofs of Claim has passed.

All Proofs of Claim must be postmarked or received by **May 22, 2010**, addressed as follows:

Stone Energy Corporation Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box 9471
Dublin, OH 43017-4571

¹ Additionally, as set forth in the Plan of Allocation below, pursuant to the Court's Order granting in part Defendants' motions to dismiss, purchasers of shares of Stone Energy common stock that were sold prior to October 6, 2005, are not included in the Class based on those purchases.

Unless otherwise ordered by the Court, any Class Member who fails to submit a properly completed and signed Proof of Claim within such period, or such other period as may be ordered by the Court, shall be forever barred from receiving any payments pursuant to the Stipulation, but will in all other respects be bound by all of the terms of the Settlement, including the terms of the Order and Final Judgment to be entered in the Action and will be barred from bringing any Released Claim against any Released Persons, including Unknown Claims (as those terms are defined in the Proof of Claim enclosed with this Notice and in the Stipulation dated January 11, 2010, which is available at www.GardenCityGroup.com, or through the mail upon request).

The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds. Each claimant is deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that claimant's status as a Class Member and the validity and amount of that claimant's claim. No discovery shall be allowed on the merits of the Action.

The Court may approve the Plan of Allocation with or without modifications agreed to among the settling parties, or another plan of allocation, without further notice to Class Members.

PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

The proposed Plan of Allocation set forth below has been prepared in consultation with Lead Plaintiff's damages consultant. The proposed Plan of Allocation reflects the allegations in the Complaint that Defendants made materially untrue and misleading statements and omissions from May 2, 2001 through March 10, 2006. Defendants do not agree with the characterization that any damages were suffered by any Members of the Class.

PLEASE NOTE: The Recognized Claim formula set forth below is not intended to be an estimate of the amount a Class Member might have been able to recover after a trial, nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants. To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's Recognized Claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's Recognized Claim bears to the total of the Recognized Claim of all Authorized Claimants (*i.e.*, "pro rata share"). Payment in this manner shall be deemed conclusive against all Authorized Claimants. No distribution will be made on a claim where the potential distribution amount is less than \$10.00 in cash.

Distributions will be made to Authorized Claimants after all timely Proofs of Claim have been processed and after the Court has finally approved the Settlement. All checks shall become stale 90 days from the date of issuance, at which time all funds remaining from such stale checks shall be irrevocably forfeited with such funds made available to be redistributed. If any funds remain in the Net Settlement Fund by reason of uncashed checks, or otherwise, after the Claims Administrator has made reasonable and diligent efforts to have Authorized Claimants who are entitled to participate in the distribution of the Net Settlement Fund cash their distribution checks, then any balance remaining in the Net Settlement Fund six (6) months after the initial distribution of such funds shall be used: (a) first, to pay any amounts mistakenly omitted from the initial distribution to Authorized Claimants or to pay any late, but otherwise valid and fully documented claims received after the cut-off date used to make the initial distribution, which were not previously authorized by the Court to be paid, provided that such distributions to any late post-distribution claimants meet all of the other criteria for inclusion in the initial distribution, including the \$10.00 minimum check amount set forth in the Notice, (b) second, to pay any additional fees and expenses incurred in administering the Settlement, and (c) finally, to make a second distribution to Authorized Claimants who cashed their checks from the initial distribution and who would receive at least an amount established by Co-Lead Counsel to address cost benefit issues from such second distribution, after payment of the estimated costs or fees to be incurred in administering the Net Settlement Fund and in making this second distribution, if such second distribution is economically feasible. If after six (6) months after such second distribution, if undertaken, or if such second distribution is not undertaken, any funds shall remain in the Net Settlement Fund after the Claims Administrator has made reasonable and diligent efforts to have Authorized Claimants who are entitled to participate in this Settlement cash their checks, any funds remaining in the Net Settlement Fund shall be donated to a 503(c) charity selected by Co-Lead Counsel and approved by the Court.

THE BASIS FOR CALCULATING YOUR RECOGNIZED CLAIM

1. Lead Plaintiff's damages consultant has determined that approximately 21.6 million shares of Stone Energy common stock were purchased during the Class Period and held until at least October 6, 2005, and eligible for Recognized Claims. However, some fraction of those shares will not be entitled to Recognized Claims and many of those purchased shares will have reduced Recognized Claims due to the statutory limitations on recoverable losses set forth below. If claims are received for all damaged shares, the average per-share benefit would be approximately \$0.49 (settlement of \$10.5 million divided by 21.6 million shares) per damaged share. A damaged share may have been traded more than once during the Class Period, and the indicated average recovery will be the total for all purchasers of that share. All transaction amounts for purchases and sales of Stone Energy common stock should exclude commissions, taxes and fees.
2. Recognized Claims for the common shares purchased during the Class Period are calculated as follows:
 - (i) The Inflation at the date of purchase shall be the purchase (or acquisition) price multiplied by the Inflation Percentage as of the date of purchase as set forth in Table 1 below.
 - (ii) The Inflation at the date of sale, if sold prior to March 13, 2006, shall be the sale (or disposition) price multiplied by the Inflation Percentage as of the date of sale as set forth in Table 1 below. The Inflation at the date of sale shall be \$0.00 per share for all shares sold or held on or after March 13, 2006.
 - (iii) For shares of Stone Energy common stock purchased and/or acquired during the Class Period and sold on or between October 6, 2005 and March 12, 2006, the Recognized Claim for each share shall be the lesser of the following:
 - a. The difference between the Inflation at the date of purchase minus the Inflation at the date of sale; and
 - b. The difference between the purchase price and the sale price.
 - (iv) For shares of Stone Energy common stock purchased and/or acquired during the Class Period and sold on or between March 13, 2006 and June 9, 2006, the Recognized Claim for each share shall be the lesser of the following:
 - a. The Inflation at the date of purchase;
 - b. The difference between the purchase price and the sale price; and
 - c. The difference between the purchase price and the "90-Day Look-Back" Price for the date of sale as set forth in Table 2 below.
 - (v) For shares of Stone Energy common stock purchased and/or acquired during the Class Period and sold or held after June 9, 2006, the Recognized Claim for each share shall be the lesser of the following:
 - a. The Inflation at the date of purchase; and
 - b. The difference between the purchase price and the "90-Day Look-Back" Price of \$45.51 as set forth in Table 2 below.

Table 1 - Inflation Percentage

(Inflation per share is the purchase or sale price multiplied by the inflation percentage applicable to the date of purchase or sale.)

Period	Begin Date	End Date	Inflation Percent
1	2-May-01	5-Oct-05	18.10%
2	6-Oct-05	6-Oct-05	8.51%
3	7-Oct-05	20-Feb-06	6.12%
4	21-Feb-06	9-Mar-06	2.52%
5	10-Mar-06	12-Mar-06	1.75%
6	13-Mar-06	Current	0.00%

Table 2 - Look-Back Prices for the 90 Days Following the Class Period

Date	90 Day Look-Back Price		Date	90 Day Look-Back Price
3/13/2006	39.08		5/1/2006	44.39
3/14/2006	39.30		5/2/2006	44.49
3/15/2006	40.19		5/3/2006	44.55
3/16/2006	40.82		5/4/2006	44.61
3/17/2006	41.08		5/5/2006	44.68
3/20/2006	41.10		5/8/2006	44.75
3/21/2006	41.15		5/9/2006	44.82
3/22/2006	41.25		5/10/2006	44.89
3/23/2006	41.40		5/11/2006	44.94
3/24/2006	41.57		5/12/2006	44.97
3/27/2006	41.73		5/15/2006	44.96
3/28/2006	41.94		5/16/2006	44.94
3/29/2006	42.17		5/17/2006	44.92
3/30/2006	42.40		5/18/2006	44.87
3/31/2006	42.51		5/19/2006	44.83
4/3/2006	42.64		5/22/2006	44.77
4/4/2006	42.78		5/23/2006	44.70
4/5/2006	42.88		5/24/2006	44.63
4/6/2006	42.95		5/25/2006	44.73
4/7/2006	42.98		5/26/2006	44.83
4/10/2006	43.04		5/30/2006	44.92
4/11/2006	43.09		5/31/2006	45.01
4/12/2006	43.11		6/1/2006	45.09
4/13/2006	43.15		6/2/2006	45.18
4/17/2006	43.20		6/5/2006	45.25
4/18/2006	43.30		6/6/2006	45.31
4/19/2006	43.39		6/7/2006	45.35
4/20/2006	43.48		6/8/2006	45.39
4/21/2006	43.61		6/9/2006	45.41
4/24/2006	43.78			
4/25/2006	43.99			
4/26/2006	44.12			
4/27/2006	44.21			
4/28/2006	44.30			

For purposes of calculating your “Recognized Claim,” the date of purchase, acquisition or sale is the “contract” or “trade” date and not the “settlement” date. All profits will be subtracted from all losses to determine the net Recognized Claim of each Class Member. For Class Members who held shares of Stone Energy common stock at the beginning of the Class Period or made multiple purchases, acquisitions or sales during the Class Period, the first-in, first-out (“FIFO”) method will be applied to such holdings, purchases, acquisitions and sales for purposes of calculating a Recognized Claim. Under the FIFO method, sales during the Class Period will be matched, in chronological order, first against your holdings at the beginning of the Class Period and thereafter, in chronological order, against subsequent purchases during the Class Period.

The receipt or grant by gift, devise, or operation of law of Stone Energy common stock during the Class Period shall not be deemed a purchase, acquisition or sale of Stone Energy common stock for the calculation of an Authorized Claimant’s Recognized Claim, nor shall it be deemed an assignment of any claim relating to the purchase/acquisition of such shares unless specifically provided in the instrument of gift or assignment. If the requirements of the preceding

sentence are satisfied *and* the donor, estate or transferor does not submit a Proof of Claim with respect to Stone Energy common stock, such Stone Energy common stock shall be deemed purchased by the Authorized Claimant on the original date of purchase by the donor, decedent or transferor and not the date of transfer. Accordingly, if the donor, decedent or transferor did not purchase the subject Stone Energy common stock during the Class Period, those shares of Stone Energy common stock shall be excluded from the computation of the Authorized Claimant's Recognized Claim.

Option contracts are not securities eligible to participate in the Settlement. Accordingly, shares of Stone Energy common stock purchased during the Class Period through the exercise of a call option or the assignment of a put option shall be treated as a purchase on the date of exercise or assignment for the stated exercise price set forth in the call or put option, and any Recognized Claim arising from such transaction shall be computed as provided for purchases of common stock.

The receipt of Stone Energy common stock during the Class Period in exchange for the securities of any other corporation or entity shall not be deemed a purchase, acquisition or sale of Stone Energy common stock.

The date of covering a "short sale" is deemed to be the date of purchase of Stone Energy common stock. The date of a "short sale" is deemed to be the date of sale of Stone Energy common stock. The Recognized Claim for "short sales" is zero. In the event that there is an opening short position in Stone Energy common stock, the earliest Class Period purchases shall be matched against such opening short position, and not be entitled to a recovery, until that short position is fully covered.

To the extent a claimant had a gain from his, her, or its overall transactions in Stone Energy common stock during the Class Period, the value of the Recognized Claim will be zero. To the extent that a claimant suffered an overall loss on his, her, or its overall transactions in Stone Energy common stock during the Class Period, but that loss was less than the Recognized Claim calculated above, then the Recognized Claim shall be limited to the amount of the actual loss.

For purposes of determining whether a claimant had a market gain from his, her, or its overall transactions in Stone Energy common stock during the Class Period or suffered a loss, the Claims Administrator shall: (i) total the amount the claimant paid for all Stone Energy common stock purchased/acquired during the Class Period (the "Total Purchase Amount"); (ii) match any sales of Stone Energy common stock during the Class Period and sales during the 90-day look-back period of the Private Securities Litigation Reform Act of 1995 ("PSLRA") first against the claimant's opening position in Stone Energy common stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received for sales of the remaining Stone Energy common stock during the Class Period and sales during the PSLRA 90-day look-back period that may be matched against Class Period purchases (the "Sales Proceeds"), and (iv) ascribe a holding price for shares of Stone Energy common stock purchased/acquired during the Class Period and still held at the end of the PSLRA 90-day look-back period, with such holding price being \$45.41 per share (the "Holding Value"). The difference between the Total Purchase Amount [(i) above] and the sum of the Sales Proceeds [(iii) above] and the Holding Value [(iv) above] will be deemed a claimant's market gain or loss on his, her, or its overall transactions in Stone Energy common stock during the Class Period.

Payment pursuant to the Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Defendants, Defendants' Counsel, Lead Plaintiff, Co-Lead Counsel or the Claims Administrator or other agent designated by Co-Lead Counsel based on the distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further orders of the Court. Each claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to his, her or its Proof of Claim. All persons involved in the review, verification, calculation, tabulation, or any other aspect of the processing of the Proofs of Claim submitted in connection with the Settlement, or otherwise involved in the administration or taxation of the Settlement Fund or the Net Settlement Fund shall be released and discharged from any and all claims arising out of such involvement, and all Class Members, whether or not they are to receive payment from the Net Settlement Fund, will be barred from making any further claim against the Net Settlement Fund beyond the amount allocated to them as provided in any distribution orders entered by the Court.

The Plan of Allocation is a matter separate and apart from the proposed Settlement, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement.

HOW YOU RECEIVE A PAYMENT – SUBMITTING A CLAIM FORM

10. How will I receive a payment?

To qualify for payment, you must be an eligible Class Member and you must submit a Proof of Claim. A Proof of Claim is enclosed with this Notice. Read the instructions carefully, fill out the form, include all the documents the form requests, sign it, and mail it in an envelope addressed to the Claims Administrator, postmarked no later than **May 22, 2010**. Please retain a copy of everything you mail, in case the materials are lost or destroyed during shipping.

11. When will I receive my payment?

The Court will hold a hearing on March 23, 2010, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether appeals, if any, can be resolved, and resolving them can take time, perhaps several years. In addition, the Claims Administrator must process all of the Proofs of Claim. The processing of the claims is complicated and will take many months. Please be patient.

12. What am I giving up by staying in the Class?

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants or the Released Persons about the Released Claims. It also means that all of the Court's orders will apply to you and legally bind you, and you will release your claims in this Action against the Defendants. The terms of the release are included in the Proof of Claim that is enclosed.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, but you want to keep the right to sue or continue to sue the Defendants on your own about the same claims being released in this Settlement, then you must take steps to exclude yourself from the Settlement. This is sometimes referred to as "opting out" of the Class.

13. How do I exclude myself from the Settlement?

To exclude yourself from the Settlement, you must send a letter by mail stating that you want to be excluded from the Settlement in the *In re Stone Energy Corp. Securities Litigation*, Civil Action No. 6:05-CV-2088. You must include your name, address, telephone number, your signature, and information concerning your purchase(s), acquisition(s) and/or sale(s) of Stone Energy common stock during the Class Period, including the number of shares of Stone Energy common stock and the dates of each purchase, acquisition and sale of Stone Energy common stock. You must mail your exclusion request so that it is **received** no later than **March 9, 2010** to:

Stone Energy Corporation Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box 9471
Dublin, OH 43017-4571

*Please keep a copy of everything you send by mail, in case it is lost or destroyed during shipping.

You cannot exclude yourself over the phone or by e-mail. If you ask to be excluded from the Settlement, you are not eligible to receive any payment from the Net Settlement Fund, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit and you will be able to pursue the claims that are being released in this Settlement.

Defendants shall have the option to terminate the Settlement in the event that members of the Class who would otherwise be entitled to participate in the Class, but who timely and validly request exclusion in accordance with the requirements set forth in this Notice, purchased and/or otherwise acquired in the aggregate a certain amount of shares of Stone Energy common stock.

14. If I do not exclude myself, can I sue the Defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue the Defendants or the Released Persons for the claims being released by this Settlement. If you have a pending lawsuit relating to the claims being released in this Action against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is March 9, 2010.

15. If I exclude myself, can I receive a payment from this Settlement?

No. If you exclude yourself, do not send in a claim form. But, you may sue, continue to sue, or be part of a different lawsuit asserting the claims being released in this Settlement against the Defendants or the Released Persons.

THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The Court appointed the law firms of Bernstein Litowitz Berger & Grossmann LLP and Barroway Topaz Kessler Meltzer & Check, LLP to represent you and the other Class Members. These lawyers are called Co-Lead Counsel. You will not be separately charged for these lawyers beyond your *pro rata* share of any attorneys’ fees and expenses awarded by the Court that will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

Co-Lead Counsel will apply to the Court for attorneys’ fees not to exceed 25% of the Settlement Amount and for reimbursement of plaintiffs’ counsels’ out-of-pocket expenses advanced in connection with the Action up to an amount of \$1.2 million, plus interest on both amounts at the same rate as earned by the Settlement Fund. *Such sums as may be approved by the Court will be paid from the Settlement Fund.* Class Members are not personally liable for any such fees or expenses.

The attorneys’ fees and expenses requested will be the only payment to Co-Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, Co-Lead Counsel have not been paid for their services for conducting this Action on behalf of Lead Plaintiff and the Class or for their substantial out-of-pocket expenses. The fee requested will compensate Co-Lead Counsel for their work in achieving the Settlement Fund and is well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court may, however, award less than this amount.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

18. How do I tell the Court that I do not like the Settlement?

If you are a Class Member, you can object to the Settlement if you do not like any part of it. To object, you must send a letter saying that you object to the Settlement in the *In re Stone Energy Corp. Securities Litigation*, Civil Action No. 6:05-CV-2088 and the reasons why you object to the Settlement. Be sure to include your name, address, telephone number and your signature. You must also include information concerning your purchase(s), acquisition(s) and sale(s) of Stone Energy common stock during the Class Period, including the number of shares of Stone Energy common stock and the dates of each purchase, acquisition and sale of Stone Energy common stock. Any objection to the Settlement must be **received** by each of the following by **March 9, 2010**:

COURT	CO-LEAD COUNSEL	DEFENDANTS’ COUNSEL
Clerk of the Court United States District Court Western District of Louisiana United States Courthouse 800 Lafayette Street Lafayette, LA 70501	David R. Stickney, Esq. BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP 12481 High Bluff Drive Suite 300 San Diego, CA 92130 Andrew L. Zivitz, Esq. BARROWAY TOPAZ KESSLER MELTZER & CHECK, LLP 280 King of Prussia Road Radnor, PA 19087	<i>Counsel for Stone Energy Corp., David H. Welch, Kenneth H. Beer and James H. Prince:</i> Clifford Thau, Esq. VINSON & ELKINS L.L.P 666 Fifth Avenue, 26 th Floor New York, NY 10103 <i>Counsel for D. Peter Canty:</i> Thomas A. Roberts, Esq. BARRASSO USDIN KUPPERMAN FREEMAN & SARVER, LLC 909 Poydras Street Suite 2400 New Orleans, LA 70112

19. What is the difference between objecting and excluding?

Objecting is simply telling the Court that you do not like something about the Settlement, the Plan of Allocation, and/or the application for attorneys' fees and expenses. You can object *only if* you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S SETTLEMENT FAIRNESS HEARING

20. When and where will the Court decide whether to approve the Settlement?

The Court will hold a fairness hearing at 1:30 p.m., on March 23, 2010, at the United States District Court, Western District of Louisiana Lafayette-Opelousas Division, United States Courthouse, 800 Lafayette Street, Lafayette, LA 70501, Courtroom 3. At this hearing, the Court will consider whether the Settlement and the Plan of Allocation are fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have requested in writing by March 9, 2010 to speak at the hearing. The Court may also consider Co-Lead Counsel's application for attorneys' fees and reimbursement of expenses.

21. Do I have to come to the Settlement Fairness Hearing?

No. Co-Lead Counsel will answer any questions the Court may have. But, you are welcome to attend the hearing at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as your written objection was received on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not required.

22. May I speak at the Settlement Fairness Hearing?

You may ask the Court for permission to speak at the Settlement Fairness Hearing. To do so, you must send a letter stating your intention to appear in the *In re Stone Energy Corp. Securities Litigation*, Civil Action No. 05-CV-2088. Be sure to include your name, address, telephone number, your signature, and also identify the date(s), price(s) and amount(s) of all purchases and/or acquisitions of Stone Energy common stock you made during the Class Period. Your notice of intention to appear must be received no later than March 9, 2010, and must be sent to the Clerk of the Court, Co-Lead Counsel, and Defendants' Counsel, at the addresses listed in Question 18. You cannot speak at the hearing if you exclude yourself from the Settlement.

IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will receive no money from this Settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants or the Released Persons about the same claims being released in this Settlement.

OBTAINING MORE INFORMATION

24. Are there more details about the Settlement?

This Notice summarizes the proposed Settlement. More details are contained in the Stipulation. All terms used in this Notice shall have the same meanings as in the Stipulation. You can obtain a copy of the Stipulation or more information about the Settlement by visiting www.GardenCityGroup.com or by writing to one of Co-Lead Counsel listed above in Question 18. You can also obtain a copy of the Stipulation from the Clerk's office at the United States District Court for the Western District of Louisiana, United States Courthouse, 800 Lafayette Street, Lafayette, LA 70501, during regular business hours.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

SPECIAL NOTICE TO NOMINEES

If you purchased the common stock of Stone Energy between May 2, 2001, up to and including March 10, 2006 as nominee for a beneficial owner, then, the Court has ordered that within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such beneficial owners; or (2) provide a list of the name and addresses of such beneficial owners to the Claims Administrator:

Stone Energy Corporation Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box 9471
Dublin, OH 43017-4571

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for reasonable administrative costs actually incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: January 14, 2010

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA