

**IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

| | |
|----------------------------|----------------------|
| In re: | § Chapter 11 |
| | § |
| ATP Oil & Gas Corporation, | § Case No.: 12-36187 |
| | § |
| Debtor. | § Hon. Marvin Isgur |

**APPLICATION PURSUANT TO SECTIONS 327, 328 AND 363
OF THE BANKRUPTCY CODE AND RULE 2014 OF THE FEDERAL
RULES OF BANKRUPTCY PROCEDURE FOR AUTHORIZATION
TO EMPLOY AND RETAIN BLACKHILL PARTNERS, LLC AND
DESIGNATE JAMES R. LATIMER, III AS CHIEF RESTRUCTURING
OFFICER TO THE DEBTOR, NUNC PRO TUNC TO SEPTEMBER 14, 2012**

NOTICE UNDER COMPLEX CASE ORDER

A HEARING WILL BE CONDUCTED ON THIS MATTER ON OCTOBER 11, 2012, AT 1:30 P.M. AT U.S. BANKRUPTCY COURT, 515 RUSK AVENUE, HOUSTON, TEXAS 77002.

IF YOU OBJECT TO THE RELIEF REQUESTED, YOU MUST RESPOND IN WRITING, SPECIFICALLY ADDRESSING EACH PARAGRAPH OF THIS PLEADING. UNLESS OTHERWISE DIRECTED BY THE COURT, YOU MUST FILE YOUR RESPONSE WITH THE CLERK OF THE BANKRUPTCY COURT WITHIN TWENTY-THREE (23) DAYS FROM THE DATE YOU WERE SERVED WITH THIS PLEADING. YOU MUST SERVE A COPY OF YOUR RESPONSE ON THE PERSON WHO SENT YOU THE NOTICE; OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEYS.

ATP Oil & Gas Corporation (“**ATP**” or the “**Debtor**”) submits this application pursuant to Sections 327(a), 328 and 363 of Title 11, United States Code (the “**Bankruptcy Code**”) and rule 2014 of the federal rules of bankruptcy procedure (the “**Bankruptcy Rules**”) for authorization to employ and retain Blackhill Partners, LLC (“**Blackhill**”) and designate James R. Latimer, III (“**Latimer**”) as Chief Restructuring Officer (“**CRO**”) to the Debtor, *Nunc Pro Tunc*



to September 14, 2012 (the “**Application**”). In support of this Application, the Debtor submits the Declaration of James R. Latimer, III (the “**Latimer Declaration**”), which is attached hereto as **Exhibit A**. In further support of this Application, the Debtor respectfully states as follows:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§157 and 1334. Venue of the Debtor’s Chapter 11 case in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b). The statutory predicates for the relief sought hereby are Sections 327(a), 328, 330 and 363 of the Bankruptcy Code, and Bankruptcy Rules 2014 and 2016.

II. PROCEDURAL STATUS

2. On August 17, 2012 (the “**Petition Date**”), the Debtor filed a voluntary petition for relief pursuant to Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “**Court**”).

3. The Debtor continues to operate its business as a debtor-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

4. On August 22, 2012, the Court entered (i) the Interim Order Pursuant to 11 U.S.C. §§ 105, 107, 361, 362, 363, 364 And 507 (1) Approving Postpetition Financing, (2) Authorizing Use Of Cash Collateral, (3) Granting Liens And Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, (5) Modifying Automatic Stay, (6) Authorizing Debtor To File The Fee Letter Under Seal And (7) Scheduling A Final Hearing (Dkt No. 126) and (ii) the Supplemental Order On Debtor’s Emergency Motion For Order Approving Post-Petition Financing And Related Relief (Dkt No. 128).

5. On August 24, 2012, the United States Trustee appointed an Official Committee of Unsecured Creditors (“**Creditors Committee**”) (Dkt No. 194).

6. On August 30, 2012, the Debtor filed the Senior Secured Super Priority Priming Debtor in Possession Credit Agreement (“**DIP Credit Agreement**”) (Dkt No. 239). The Lenders have agreed to extend the date, under Section 8.17 of the DIP Credit Agreement, by which the Debtor is required to have filed with the Bankruptcy Court an application to appoint a CRO to September 14, 2012.¹ Pursuant to Section 10.01(z) of the DIP Credit Agreement, it is a Default under the DIP Credit Agreement if an order of the Bankruptcy Court approving the engagement and appointment of a CRO shall not have been entered (and the CRO actually engaged and appointed by the Debtor) on or before the sixtieth (60) day after the Petition Date (except to the extent the hearing with respect thereto is delayed at the request of the Administrative Agent (made at the direction of the Required Lenders)).

III. FACTUAL BACKGROUND

7. ATP is a Texas corporation based in Houston, Texas, which was organized in 1991, and, together with its domestic and foreign subsidiaries, is engaged in the acquisition, development and production of oil and natural gas properties in the Gulf of Mexico, North Sea, and Eastern Mediterranean Sea. ATP is an experienced development and production company with significant expertise in drilling and operating offshore wells, both in the deepwater and on the shallower Outer Continental Shelf in the Gulf of Mexico. In 2012, ATP, through one of its non-debtor foreign subsidiaries, commenced drilling operations in the Eastern Mediterranean Sea (offshore Israel). ATP owns leasehold and other interests in the Gulf of Mexico in 38 offshore blocks and 49 wells, including 23 subsea wells. ATP operates approximately 90% of its wells in the Gulf of Mexico, including all of its deepwater wells.

¹ Capitalized terms used by not defined herein will have the meaning ascribed to them in the DIP Credit Agreement.

8. ATP's properties in the Gulf of Mexico contain proved reserves of approximately 75.9 million barrels of crude oil equivalent ("**MMBoe**"), as reported at December 31, 2011 and based on ATP's internal reserve report, are estimated at 76.6 MMBoe at June 30, 2012. In addition to its reserves in the Gulf of Mexico, ATP also owns, through its wholly-owned foreign subsidiaries, estimated proved reserves of approximately 42.9 MMBoe as reported at December 31, 2011 in the Cheviot field in the North Sea, interests in other valuable oil and gas properties in the North Sea, and the recently successfully-drilled Shimshon natural gas well in the Eastern Mediterranean Sea (offshore Israel). ATP owns, through wholly or majority owned non-debtor domestic subsidiaries, two floating production facilities in deepwater of the Gulf of Mexico: the *ATP Titan*, which operates at its Telemark Hub, and the *ATP Innovator*, which operates at its Gomez Hub.

9. ATP's development plans and cash flows were dramatically impacted by the April 20, 2010 blowout and explosion of BP's Macondo well in the Gulf and the U.S. government's subsequent moratorium on further drilling operations. While the moratorium adversely affected all companies involved in deepwater drilling in the Gulf of Mexico, the impact was especially profound on ATP, which is a smaller company than its principal competitors, with a heavier concentration of operations in the deepwater Gulf of Mexico. The moratorium blocked ATP's plans to drill and bring online six wells during 2010 and 2011; denying ATP the anticipated cash flows from these wells. ATP had spent approximately \$1 billion dollars in infrastructure construction and other capital expenditures related to these wells. In the years leading up to the moratorium, ATP funded a major component of its capital expenditures with debts that it expected to service with revenues from new wells, and ATP incurred significant interest costs during the moratorium from these debts. The moratorium also

required ATP to interrupt two drilling operations that were then in process at significant cost to ATP, without providing for any relief from the resulting costs of ceasing those drilling operations and demobilizing the related drilling equipment and personnel. Throughout the moratorium, ATP also incurred significant capital expenditure on its Octabuoy platform under construction in China, as halting this construction would have resulted in additional costs. All of these factors contributed to a substantial weakening of ATP's liquidity position during and following the moratorium. The moratorium lasted 10 months, effectively ending on February 28, 2011, when the first deepwater drilling permit was issued.

10. Shortly after the end of the moratorium ATP successfully completed and tested two new wells in Green Canyon Block 300 (the "Clipper Wells") in the deepwater Gulf of Mexico. The Clipper Wells production tests substantially exceeded expectations, but those wells are 16 miles from the sales point and require construction of additional pipeline infrastructure in order to begin production. ATP's post-moratorium liquidity limitations have prevented it from generating all of the funds it needed to complete the final connection of the Clipper Wells to the sales pipeline; however, this low-risk project remains a source of immediate cash flow and considerable potential value to the estate and its constituencies.

11. ATP's management closely monitored the impact of these challenging conditions and evaluated potential alternatives to try to address its operational and financial issues and improve its liquidity. ATP made diligent effort to identify and solicit partners, joint operators, or investors for its foreign operations, to share the costs of developing foreign reserves with potentially significant value. However, ATP has not yet been able to complete such a transaction.

12. The terms of ATP's first and second lien secured debt limited ATP's ability to obtain additional financing to improve its liquidity position. One option available, with the consent of its lenders, was the sale to third parties of overriding royalty and net profits interests in future production from specified wells. ATP relied heavily on such sales to provide immediate funds, but, each such transaction reduced the cash flows available to ATP from its existing and future production and added further pressure on ATP to bring the already-drilled Clipper Wells on-line. Despite its best efforts, ATP's ongoing project construction costs and declining oil prices put it in the untenable position of running out of cash before it could complete the Clipper Wells pipeline project and generate the revenues necessary to remedy its liquidity position.

13. As a result, ATP sought Chapter 11 protection in order to protect and preserve its assets and to obtain through a DIP loan facility the funds needed to complete the critically important Clipper Wells pipeline project, and certain other specified capital projects that ATP needs to augment its producing reserves and revenues. This should then enable ATP and its stakeholders to negotiate and implement an orderly restructuring of its capital structure in order to operate profitably and maximize value for the benefit of all of its stakeholders. ATP has determined, in the prudent exercise of its business judgment, that the proposed course of action is the best alternative to ensure that maximum value can be preserved for the benefit of its estate constituencies.

14. As of the Petition Date, ATP has aggregate funded debt outstanding of approximately \$1.9 billion, consisting of: (i) approximately \$365 million owed under a first lien term credit facility evidenced by a Credit Agreement dated as of June 10, 2010 among ATP, as borrower, certain lenders party thereto and Credit Suisse AG as administrative agent and

collateral agent, as amended in February 2011 and March 2012, which amounts are secured by a first lien against approximately 80% of ATP's proved oil and gas reserves in the Gulf of Mexico, the capital stock of material subsidiaries and certain infrastructure assets, other than the *Innovator* and the *Titan*; (ii) approximately \$1.5 billion owed to the noteholders under the 11.875% senior second lien bond indenture dated as of April 23, 2010, payable on May 1, 2015, with principal payments due on May 1 and November 1 of each year and secured by a second lien on the collateral securing the first lien debt; and (iii) \$35 million under a convertible note and a warrant to purchase 3,923,767 shares of the ATP's common stock issued under a private placement to an institutional investor in June 2012. In addition, ATP has outstanding trade and other payables in the approximate amount of \$147 million and there are outstanding balances under the overriding royalty and net profits interests in the approximate, aggregate amount of \$23.8 million.

IV. RELIEF REQUESTED

15. By this Application, the Debtor seeks to employ and retain Blackhill and designate Latimer as its CRO, pursuant to Sections 327(a), 328 and 363 of the Bankruptcy Code, to perform the services set forth more fully in the letter dated as of September 14, 2012 ("Engagement Letter"), between the Debtor and Blackhill attached hereto as Exhibit B.

A. APPOINTMENT OF A CRO IS APPROPRIATE

16. In consideration of the size and complexity of its business, as well as the exigencies of the circumstances, the Debtor has determined that the services of an experienced CRO will substantially enhance its attempts to maximize the value of its estate. The CRO will primarily assist the Debtor in: (i) managing the preservation and maximization of the estate's value, (ii) coordinating stakeholder and Court access to information, (iii) maintaining relationships with certain creditors, vendors and suppliers, (iv) reporting to the Court on the

reorganization process and (v) complying with the reporting process required by the budget, the DIP Credit Agreement, and the Bankruptcy Code. This assistance will allow the Debtor to focus on the day-to-day operations and implement its plan going forward.

17. The CRO will report directly to the Debtor's Board of Directors and will assist in communicating between the company and the various creditor constituencies, including, but not limited to, the Lenders. In fulfilling its role, the CRO will assist Debtor's management and professionals in:

- evaluating intermediary transactions;
- developing and negotiating a confirmable plan of reorganization;
- identifying the interests of the various stakeholders in order to build a consensus to achieve a successful restructuring;
- preserving and maximizing Debtor's enterprise value throughout the restructuring process;
- advising on any sale opportunities;
- recommending alternatives to reduce costs in order to maximize short-term and long-term cash flow;
- providing, when necessary, testimony before the Court on matters within the scope of CRO's engagement and responsibilities; and
- making decisions consistent with the authority given to the CRO in the DIP Credit Agreement.

B. COMPREHENSIVE SELECTION PROCESS

18. In selecting Blackhill and Latimer, the Debtor appointed a sub-committee of the Board of Directors (the "**Sub-Committee**") to engage in the selection process and make a

recommendation to the Board of Directors. The Sub-Committee, along with the Debtor's counsel and Investment Banker, met and discussed the names and credentials of approximately twenty (20) candidates and narrowed the list as those to be interviewed to seven (7). The Sub-Committee, Debtor's counsel and Investment Banker interviewed each of the "short list" candidates. Additionally, the Sub-Committee conferred with the Lenders and other interested constituencies, including, the United States Trustee, the second lien lenders and the Creditors' Committee throughout the process.

19. The Debtor's Board of Directors ultimately selected Blackhill and Latimer due to their extensive experience and knowledge in the field of oil and gas operations and restructurings. Blackhill and Latimer have had substantial experience successfully advising both public and private energy clients. Latimer has experience with all phases of corporate finance, business strategy and operations management in the oil and gas business.

C. BLACKHILL AND LATIMER'S QUALIFICATIONS AND ENGAGEMENT

20. The Engagement Letter sets forth the understanding and agreement between Blackhill and the Debtor pursuant to which Latimer will serve as CRO in accordance with the terms set forth therein. Blackhill and Latimer will provide those services necessary to aid the Debtor's Board of Directors in seeking, evaluating and selecting options in connection with reorganization, recapitalization and/or the sale of certain assets. In the capacity as CRO, Blackhill and Latimer will recommend the option viewed by the CRO as prudent and value-maximizing.

21. A summary of Latimer's background, credentials and experience is set forth in the Latimer Declaration. The mailing address and telephone number for Blackhill and Latimer are as follows:

Blackhill Partners, LLC
Attn: James R. Latimer, III
2602 McKinney Avenue, Suite 240
Dallas, Texas 75204
Telephone: 214-382-3750
Fax: 214-382-3755

22. Under the Engagement Letter, the fees and expenses are as follows:
- a. Fee Retainer: \$75,000
 - b. Expense Retainer: \$25,000
 - c. Professional Fees: no more than \$125,000 will be paid in a given month (“**Fee Cap**”) (unless approved by the Board of Directors); any fees incurred in excess of the Fee Cap will be paid in a subsequent month where the Fee Cap has not been met
 - i. Latimer’s Rate: \$550 per hour
 - ii. Blackhill’s managing directors and executive advisory team members: \$400-\$475 per hour
 - iii. Blackhill’s vice presidents and senior staff members: \$250 -\$400 per hour
 - d. Success Fee: \$250,000 in the event that a Plan is confirmed and effective (pursuant to conditions set forth in the Engagement Letter)

D. DISINTERESTEDNESS

23. To the best of the Debtor’s knowledge, except as described in the Latimer Declaration, neither Blackhill nor any of its professionals:

- a. is a creditor, equity security holder, or insider of the Debtor;
- b. is or has been within two years of the Petition Date, an officer, director, or employee of the Debtor; or
- c. has any interest materially adverse to the interests of the estate or any class of creditors or equity security holders, by reason of any direct or indirect

relationship, connection with, or interest in the Debtor or for any other reason.

24. Accordingly, the Debtor submits that Latimer is a “disinterested person” as defined in Sections 101(14) of the Bankruptcy Code, and does not hold or represent an interest adverse to the Debtor’s estate that would otherwise render Latimer ineligible to serve as the CRO to the Debtor pursuant to the provisions of Section 327(a) of the Bankruptcy Code.

25. In addition, as set forth in the Latimer Declaration, if any new material facts of relationships are discovered or arise, Latimer will provide the Court with a supplemental declaration.

V. APPLICABLE AUTHORITY

26. The Debtor submits that the retention of Blackhill and Latimer under the terms described herein is appropriate under Sections 327(a), 328 and 363 of the Bankruptcy Code and in the best interests of the Debtor’s estate and its creditors. Section 327(a) of the Bankruptcy Code empowers a debtor-in-possession, with the Court’s approval, to “[...] employ one or more [...] professional persons, that do not hold or represent an interest adverse to the estate, and that are disinterested persons [...]” 11 U.S.C. § 327(a).

27. The CRO qualifies as a “professional person” under Section 327(a). The Bankruptcy Court for the Southern District of New York explained:

For the purposes of section 327(a), “professional person” is limited to persons in those occupations which play a central role in the administration of the debtor proceeding. Court approval is required for the retention of attorneys, accountants, appraisers, auctioneers and persons in other professions intimately involved in the administration of the debtor’s estate.

In re Seatrain Lines, Inc., 13 B.R. 980, 981 (Bankr. S.D.N.Y. 1981); *see also United States ex rel. Kraft v. Aetna Casualty & Surety Co.*, 43 B.R. 119 (M.D. Tenn. 1984); and *In re Lowry Graphics, Inc.*, 86 B.R. 74, 78 (Bankr. S.D. Tex. 1988).

28. Section 101(14) of the Bankruptcy Code defines a “disinterested person” as a person that:

- (a) is not a creditor, an equity security holder, or an insider;
- (b) is not and was not, within 2 years before the date of the filing of the petition, a director, officer, or employee of the debtor; and
- (c) does not have an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the debtor, or for any other reason.

11 U.S.C. § 101(14). For the reasons set forth in the Latimer Declaration, the exhibits thereto and as otherwise addressed herein, the Debtor believes that Latimer is a disinterested person within the meaning of Section 101(14) of the Bankruptcy Code.

29. Section 328(a) of the Bankruptcy Code authorizes the employment of a professional person “[...] on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on a fixed or percentage fee basis, or on a contingent fee basis.” 11 U.S.C. § 328(a). The Debtor submits that the terms and conditions of Blackhills’s retention as described herein are reasonable. The terms are substantially similar to those which Blackhill applies to its other bankruptcy clients for CRO engagements of this size and character. In addition, the terms are similar to those approved by courts in this district and others. See, e.g., *In re Seahawk Drilling, Inc.*, Case No. 11-20089 (Bankr. S.D. Tex. Feb. 14, 2011); *In re Gulf Coast Oil Corp.*, Case No. 08-50213 (Bankr. S.D. Tex. Sept. 29, 2008).

30. The retention of interim corporate officers and other temporary employees is also proper under Section 363 of the Bankruptcy Code. Section 363(b) of the Bankruptcy Code provides, in relevant part, that the Debtor, “[...] after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate [...]” 11 U.S.C. § 363(b)(1). If a debtor’s proposed use of its assets pursuant to Section 363(b) of the Bankruptcy

Code represents a reasonable business judgment on the part of the debtor, such use should be approved. *See, e.g. In re Lionel Corp.*, 722 F.2d 1063, 1070-71 (2d Cir. 1983).

31. The retention of interim corporate officers and other temporary employees, therefore, is proper under Section 363 of the Bankruptcy Code. Courts have authorized retention of officers utilizing this provision of the Bankruptcy Code on numerous occasions. *See, e.g. Pilgrims Pride Corporation*, Case No. 08-45664 (DML) (Bankr. N.D.Tex.) [Dkt No. 825]; *In re Mirant Corporation, et al.*, Case No. 03-46590 (DML) (Bankr. N.D.Tex.) [Dkt No. 999]; *In re Lyondell Chemical Company, et al.*, Case No. 09-10023 (REG) (Bankr. S.D.N.Y.) [Dkt No. 1141]; *In re PRC, LLC*, Case No. 08-10239 (MG) (Bankr. S.D.N.Y.) [Dkt No. 182].

32. The retention of Blackhill and Latimer is a sound exercise of the Debtor's business judgment. Latimer has extensive experience as a senior officer and as an advisor for many troubled companies. The Debtor believes that the CRO will provide services that benefit the Debtor's estate and creditors. In light of the foregoing, the Debtor believe that retention of Blackhill and Latimer is appropriate and in the best interests of the Debtor and its creditors.

33. Because the Debtor is a complex enterprise with many interested constituencies of varied interests, it is reasonable for the Debtor to seek to employ Latimer to serve as its CRO on the terms and conditions set forth herein and in the Engagement Letter.

VI. NOTICE

34. Notice of this Application has been given in accordance with this Court's Order Establishing Notice Procedures (Dkt No. 132).

WHEREFORE, the Debtor respectfully requests that the Court enter an order, the form of which is submitted herewith, granting the employment and retention of Blackhill and designation

of Latimer as CRO to the Debtor, *Nunc Pro Tunc* to September 14, 2012, as set forth in this Application and such further relief as may be just and necessary under the circumstances.

[Remainder of page intentionally left blank; Signature Page follows]

Dated: September 14, 2012

Respectfully submitted,

MAYER BROWN LLP

By: /s/ Charles S. Kelley
Charles S. Kelley
Attorney-in-Charge
State Bar No. 11199580
Southern District of Texas Bar No. 15344
700 Louisiana Street, Suite 3400
Houston, TX 77002-2730
Telephone: 713 238-3000
Facsimile: 713 238-4888

and

Howard S. Beltzer
Frederick D. Hyman
1675 Broadway
New York, NY 10019
Telephone: 212 506-2500
Facsimile: 212 262-1910

and

Stuart M. Rozen
Sean T. Scott
71 South Wacker Drive
Chicago, IL 60606
Telephone: 312 782-0600
Facsimile: 312 701-7711

**ATTORNEYS TO THE DEBTOR AND
DEBTOR-IN-POSSESSION**

**IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

| | | |
|----------------------------|---|--------------------|
| In re: | § | Chapter 11 |
| | § | |
| ATP Oil & Gas Corporation, | § | Case No.: 12-36187 |
| | § | |
| Debtor. | § | Hon. Marvin Isgur |

**DECLARATION OF JAMES R. LATIMER, III IN SUPPORT OF THE
APPLICATION TO EMPLOY AND RETAIN BLACKHILL PARTNERS, LLC
AND DESIGNATE JAMES R. LATIMER, III AS CHIEF RESTRUCTURING
OFFICER TO THE DEBTOR, NUNC PRO TUNC TO SEPTEMBER 14, 2012**

Pursuant to 28 U.S.C. § 1746, James R. Latimer, III hereby declares under penalty of perjury as follows:

1. My name is James R. Latimer, III. I am more than 21 years of age and am competent and authorized to make this declaration. I have personal knowledge of the facts set forth herein. To the extent that any information disclosed herein requires an amendment or modification, a supplemental declaration will be submitted to the Court.

2. I have earned the Certified Public Accountant and Certified Financial Analyst designations. I have provided restructuring services since 1998. I am a managing director of Blackhill Partners, LLC ("**Blackhill**").

3. ATP Oil & Gas Corporation ("**ATP**" or the "**Debtor**") seeks to retain and employ Blackhill and designate me as Chief Restructuring Officer ("**CRO**") of the Debtor.

4. This declaration (the "**Declaration**") is submitted in support of the Application Pursuant to Sections 327, 328 and 363 of the Bankruptcy Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure for Authorization to Employ and Retain Blackhill Partners, LLC

and Designate James R. Latimer, III as Chief Restructuring Officer to the Debtor, *Nunc Pro Tunc* to September 14, 2012 (the "**Application**").

General Statement of Disinterestedness

5. Insofar as I have been able to ascertain after due diligence, except as set forth in this Declaration, Blackhill:

- a. does not hold or represent any interest adverse to Debtor's bankruptcy estate;
- b. is not a creditor, equity security holder or insider of the Debtor and does not represent any entity (or their attorneys or accountants) other than the Debtor in connection with this Chapter 11 case;
- c. has never been an investment banker for any outstanding security of the Debtor, nor has Blackhill been an attorney for such investment banker in connection with the offer, sale, or issuance of any security of the Debtor;
- d. has not had an interest materially adverse to the interests of the Debtor or any class of creditors or equity security holders of the Debtor, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtor or any investment banker for the Debtor; and
- e. has not had any connection, other than as disclosed herein, with the Debtor, its creditors, equity interest holders, or any party-in-interest, or with the respective attorneys or accountants of the foregoing, or with the Office of the United States Trustee, or any person employed in the Office of the United States Trustee.

6. The above statements of disinterestedness on behalf of Blackhill apply equally to me in my professional and personal capacity.

Engagement Agreement and Fees

7. The letter dated as of September 14, 2012 (the "**Engagement Letter**"), between the Debtor and Blackhill attached to the Application as **Exhibit B** sets forth the understanding and agreement between Blackhill and the Debtor pursuant to which I will serve as CRO in accordance with the terms set forth therein. Blackhill and I will provide those services necessary to aid the Debtor's Board of Directors in seeking, evaluating and selecting options in connection with reorganization, recapitalization and/or the sale of certain assets. Under the Engagement Letter, the fees and expenses are as follows:

- a. Fee Retainer: \$75,000
- b. Expense Retainer: \$25,000
- c. Professional Fees: no more than \$125,000 will be paid in a given month ("**Fee Cap**") (unless approved by the Board of Directors); any fees incurred in excess of the Fee Cap will be paid in a subsequent month where the Fee Cap has not been met
 - i. Latimer's Rate: \$550 per hour
 - ii. Blackhill's managing directors and executive advisory team members: \$400-\$475 per hour
 - iii. Blackhill's vice presidents and senior staff members: \$250 -\$400 per hour
- d. Success Fee: \$250,000 in the event that a Plan is confirmed and effective (pursuant to conditions set forth in the Engagement Letter)

8. Subject to Court approval, the Debtor proposes to pay Blackhill as compensation for commitment of time and resources of my services at the rate of \$550 per hour. The Debtor will pay a retainer to Blackhill in the amount of \$75,000, which will be held by Blackhill subject to further order of this Court. Subject to Court approval, the Debtor will also reimburse Blackhill for all reasonable out-of-pocket expenses. As set forth in the Engagement Letter, Blackhill is entitled to the Success Fee upon the effective date (the “**Effective Date**”) of any Plan of Reorganization approved by the bankruptcy court having jurisdiction in the ATP case provided that the Engagement Letter has not been terminated prior to such date by (i) ATP as a result of (x) my death or Disability (as defined in the Engagement Letter) within 90 days after the commencement of the Engagement Period, in which case no Success Fee shall be paid, or during the period next following such 90 days after the commencement of the Engagement Period and more than 90 days prior to the Effective Date, in which case the Success Fee shall be \$125,000.00, or (y) Blackhill’s or my gross negligence or willful misconduct (as defined in the Engagement Letter) or (ii) Blackhill upon 10 days prior written notice. The Lenders have agreed to the Success Fee. The compensation proposed to be paid is reasonable in light of the services to be performed as set forth herein and in the Engagement Letter.

9. The CRO will apply to the Bankruptcy Court for allowance of compensation and reimbursement of expenses in accordance with Bankruptcy Code §§ 330 and 331 and the *Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses under Bankruptcy Code § 330* (the “**Compensation Procedures**”). The Blackhill professionals who will be rendering services have reviewed and are generally familiar with the compensation procedures. All Blackhill professionals who provide services to the Debtor will maintain billing records that set forth complete and detailed activity descriptions, including a time allotment

billed in increments of 1/10 of an hour. Travel time will be separately described, work performed while traveling will so indicate, and all meetings, hearings, and computer assisted research for which time is billable will be identified. Activity descriptions will be presented chronologically or chronologically within each project category.

10. No promises have been received by Blackhill or I, or any of Blackhill's principals or associates, as to payment or compensation in connection with this engagement other than in accordance with the provisions of the Bankruptcy Code. Neither Blackhill nor I have an agreement with any entity to share compensation by it or by such entity.

Conflicts Analysis

11. Blackhill and I accessed our conflicts database, which is designed to reveal the potential for conflicts of interest and other connections to existing and former clients and to non-client third parties. Search results are carefully reviewed for conflicts by our staff and by me personally.

12. The parties initial search included the following: (a) the 20 largest unsecured creditors- includes holders of claims for borrowed money, trade credit or similar indebtedness (actual, contingent, liquidated, or unliquidated), including claims on accounts of guarantees and legal judgments; (b) other significant unsecured creditors- includes bond holders, lessors, lessees, licensors, licensees, and taxing authorities; (c) secured creditors- includes senior and junior secured lenders; (d) attorneys and accountants for creditors; and (e) Significant stakeholder- any significant holders of the Debtor's equity interest.

13. Although there are no known conflicts, Blackhill and/or I may have previously represented, may currently represent, and may in the future represent, entities that are claimants or interest holders of the Debtor in matters totally unrelated to this case. Blackhill and I have a

diversified restructuring practice that encompasses the representation of commercial organizations. Some of these commercial organizations are or may consider themselves to be creditors or parties-in-interest in these bankruptcy cases. The following lists the results of implementing the review procedures described above and are based on the relationship of the following categories of entities:

- a. Directors and Officers. Blackhill and I have not represented and do not represent any of the Debtor's Directors or Officers.
- b. Entities Affiliated with the Debtor. Blackhill and I have not represented and do not represent any entities affiliated with the Debtor.
- c. Banking Relationships. Blackhill and I have not represented and do not represent entities with banking relationships with the Debtor.
- d. Bond Holders. Blackhill and I have not represented and do not represent any of the Debtor's Bond Holders.
- e. Construction Counterparties. Blackhill and I have not represented and do not represent any of the Debtor's construction counterparties.
- f. Contracts. Blackhill and I have not represented and do not represent any of the Debtor's contract counterparties.
- g. Creditors. Blackhill and I have not represented and do not represent any of the Debtor's creditors.
- h. First Lien Lenders. Blackhill and I have not represented and do not represent any of the Debtor's First Lien Lenders.
- i. Insurers. Blackhill and I have not represented and do not represent any of the Debtor's Insurers.

- j. Key Shareholders. Blackhill and I have not represented and do not represent any of the Debtor's key shareholders.
- k. Largest Customers. Blackhill and I have not represented and do not represent any of the Debtor's largest customers.
- l. Law Firms Engaged in Ongoing Litigation. Blackhill and I have not represented and do not represent any of the Debtor's law firms engaged in ongoing litigation.
- m. Litigation Counterparties. Blackhill and I have not represented and do not represent any of the Debtor's litigation counterparties.
- n. Operators. Blackhill and I have not represented and do not represent any of the Debtor's operators.
- o. Overriding Royalty Interest Holders and Net Profit Interest Holders. Blackhill and I have not represented and do not represent any of the Debtor's Overriding Royalty Interest Holders and Net Profit Interest Holders.
- p. Other Lenders. Blackhill and I have not represented and do not represent any of the Debtor's other Lenders.
- q. Professionals. Blackhill and I have not represented and do not represent any of the Debtor's professionals.
- r. Royalty Interest Holders. Blackhill and I have not represented and do not represent any of the Debtor's Royalty Interest Holders.
- s. Taxing Authorities. Blackhill and I have not represented and do not represent any of the Debtor's Taxing Authorities.

t. United States Trustee, Judges, and court contacts for the Southern District of Texas (and key staff members). Blackhill and I have not represented and do not represent the United States Trustee, Judges, and court contacts for the Southern District of Texas (and key staff members).

u. Vendors. Blackhill and I have not represented and do not represent any of the Debtor's vendors.

v. Working Interest Holders. Blackhill and I have not represented and do not represent any of the Debtor's Working Interest Holders.

14. Except as otherwise provided for herein, neither Blackhill nor I have or will represent any of the aforementioned entities or any of their respective affiliates or subsidiaries, in matters related to the Debtor or its Chapter 11 case.

15. Though not directly related to the categories listed above, as a matter of full disclosure, I, in my individual capacity, disclose the following:

- I am a founding director and audit committee chairman of NGP Capital Resources Company ("**NGPC**"). NGP Capital Resources Company is a publicly traded [NASDAQ: NGPC] externally-managed closed-end fund. NGPC has no employees, and all executive and administrative personnel are employed by a third-party asset manager. This management company makes all investment decisions for the closed-end fund without input or approval from the board of directors, and otherwise manages the affairs of NGPC.
- NGPC is a Royalty Interest Holder of the Debtor.
- I believe there is no past or present conflict between my role as a board member of NGPC and my role as CRO of the Debtor.

16. Additionally, I have ascertained no connection (prescribed by Bankruptcy Rule 2014(a)) between Blackhill or myself and the United States Trustee or any person employed by the Office of the United States Trustee.

I declare under penalty of perjury pursuant to 28 U.S.C. § 1746 that the foregoing is true and correct.

Executed on this 14th day of September, 2012.

A handwritten signature in black ink, appearing to read "J. Latimer III", is written over a horizontal line. The signature is stylized and cursive.

James R. Latimer, III



Blackhill Partners, LLC
2602 McKinney Ave.
Suite 240
Dallas, Texas 75204

tel: 214.382.3750
fax: 214.382.3755

September 14, 2012

ATP Oil & Gas Corporation
4600 Post Oak Place
Suite 100
Houston TX 77027-9726

RE: Engagement of James R. Latimer, III by and through Blackhill Partners LLC by ATP Oil & Gas Corporation

Gentlemen:

This letter confirms our understanding that ATP Oil & Gas Corporation (“ATP” or “the Company”) has engaged Blackhill Partners LLC (“we” or “us” or “Blackhill”) to act as ATP’s chief restructuring officer, by and through solely the services of Mr. James R. Latimer, III (“Latimer”), and provide other professional services as may be expressly requested and authorized by the Board from the date of the agreement (this “Agreement”) through the end of the Engagement Period (as hereinafter defined) with respect to restructuring services requested by ATP. The “Engagement Period” shall mean that period commencing on September 14, 2012, and continuing through the termination date as determined by the process provided for below. The parties to this Agreement agree and acknowledge that this Agreement is supported by adequate and valuable mutual consideration, the mutual covenants and agreements of the parties, the services to be performed hereunder, and the fees and other monetary payments to be paid and received by the parties hereunder.

1. Services

Subject to the approval of the United States Bankruptcy Court for the Southern District of Texas, Houston Division, Case No. 12-36187, Hon. Marvin Isgur, ATP hereby engages Blackhill for the purpose of providing Latimer in the capacity of chief restructuring officer (“CRO”) to ATP. The CRO shall provide executive and restructuring leadership, turnaround and crisis management services, and such other services that may be requested by ATP. Blackhill shall provide the professional services of such other members of Blackhill as needed or requested by the ATP Board through the end of the Engagement Period.

The CRO shall report directly to the Board of Directors and the services to be provided by the CRO will be those necessary to oversee and facilitate the process of seeking options for the reorganization, recapitalization, or if necessary, the sale of some or all of the ATP assets, and

to recommend to the Board of Directors the selection of such option or options which, in the judgment of the CRO, represent a prudent and value-maximizing option for ATP. In addition, the CRO will have general oversight into the strategic, operational and financial decisions of the Company and will advise the Board of Directors of his views regarding such matters from time to time. Further, the CRO shall have the decision making authority in respect of the matters set forth in the DIP Financing Facility. The CRO and Blackhill shall also provide such other services as are determined by the ATP Board to be necessary or desirable for ATP in maximizing value for its stakeholders.

To implement the scope of this Agreement, Blackhill is hereby retained by ATP to provide the named CRO whose function will be to perform the tasks that would allow ATP to accomplish its objectives, including:

- Review and assessment of the positions and interests of the current stakeholders, and options for resolution of issues with and among them.
- Understand the financial position of ATP, business disputes, existing relationships, available resources, and other elements of problem-solving in a complex and fast-moving situation.
- Develop, propose, and where possible, implement, subject to direction by the Board, plans to address the multiple issues now confronting ATP and its stakeholders.
- Provide executive leadership and problem-solving for the full range of ATP's needs.
- Coordinate with and give direction to Opportune LLP and Jefferies & Company, Inc with regard to the restructuring activities and strategies.
- Work with outside counsel, Mayer Brown LLP and Munsch Hardt Kopf & Harr PC, as necessary through and during the course of the bankruptcy proceedings involving ATP.
- Evaluate and make recommendations to the Board in connection with various alternatives in eliminating costs in order to maximize short-term and long-term cash flow and execute approved cost-reduction measures.
- The CRO will have decision-making authority (subject to the oversight and ultimate decisions by the Board of Directors) regarding capital expenditure and investment decisions in excess of \$1,000,000.
- Assist in communication and/or negotiation with the stakeholders with respect to ATP's turnaround plan, cash and vendor management and any other matters as needed, including, without limitation, communications with DIP Lenders at reasonable times but no less than on a weekly basis.
- Assist with the preparation of the statement of affairs, schedules and other regular reports required by the bankruptcy court.
- Provide testimony in court as required or appropriate during the case.

- Assist in development of a plan of reorganization (the "Plan") and in the preparation of information and analysis necessary for the confirmation of the Plan in Chapter 11 proceedings, if necessary.
- Carry out additional tasks on behalf of ATP as the Board and Blackhill may mutually agree are necessary and appropriate.

2. Fees and Expenses

As compensation for the commitment of time and resources and the services provided by Blackhill hereunder, ATP agrees to pay Blackhill, as follows:

- (i.) The parties acknowledge and agree that a retainer in the amount of \$75,000 (the "Retainer") will be applied to the final invoice of Blackhill and any other invoices of Blackhill that shall remain unpaid at the conclusion of the engagement hereunder. Any unused portion of the Retainer shall be refunded upon the completion of the engagement hereunder.
- (ii.) Professional fees in the amounts as described below
 - a. For Latimer, \$550 per hour;
 - b. For Blackhill managing directors and executive advisory team members, \$400 to \$475 per hour, and
 - c. For Blackhill vice presidents and senior staff members, \$250 to \$400 per hour.

provided, however, at no time shall the professional fees payable to Blackhill in any month exceed \$125,000.00, or such increased amount as shall be approved by the Board (the "Monthly Fee Cap"). In the event that the sum of the hourly fees earned in one month is in excess of the Monthly Fee Cap, the excess hourly fees earned shall be credited to and payable in subsequent months where the Monthly Fee Cap has not been met.
- (iii.) For each month of the engagement hereunder, Blackhill shall provide to ATP a monthly invoice for its services hereunder. Each Blackhill invoice shall be due and payable in full by wire transfer within five (5) days of its submission by Blackhill to ATP. As required, payment for services is subject to terms set forth by the bankruptcy court having jurisdiction over the ATP case 12-36187 and the appropriate U.S. Trustee. For each month of the engagement hereunder, Blackhill shall provide to ATP a monthly invoice that shall include the total out-of-pocket expenses of Blackhill. The CRO and Blackhill shall obtain the consent and approval of ATP through the Board of Directors before (i) Blackhill or the CRO shall incur an expenditure of any item or items collectively which are equal to or exceed \$10,000 and (ii) the employment of any other Blackhill personnel prior to their work as part of this engagement.

- (iv.) \$250,000.00 (the “Success Fee”) upon the effective date (the “Effective Date”) of any Plan of Reorganization approved by the bankruptcy court having jurisdiction in the ATP case provided that this Agreement has not been terminated prior to such date by (i) ATP as a result of (x) Latimer’s death or Disability (as hereinafter defined) within 90 days after the commencement of the Engagement Period, in which case no Success Fee shall be paid, or during the period next following such 90 days after the commencement of the Engagement Period and more than 90 days prior to the Effective Date, in which case the Success Fee shall be \$125,000.00, or (y) Latimer’s or Blackhill’s gross negligence or willful misconduct, as described in Section 4(iii)(a) below or (ii) Blackhill pursuant to Section 4(i) below.
- (v.) An expense retainer (the “Expense Retainer”) in the amount of \$25,000 shall be used to cover the out-of-pocket expenses of Blackhill. The parties acknowledge and agree that the Expense Retainer will be applied to the final expenses of Blackhill and any other expenses of Blackhill that shall remain unpaid at the conclusion of the engagement hereunder. Any unused portion of the Expense Retainer shall be refunded upon the completion of the engagement hereunder. For each month of the engagement hereunder, Blackhill shall provide to ATP a monthly invoice that shall include the total out-of-pocket expenses of Blackhill. Each Blackhill expense invoice shall be due and payable in full by wire transfer within five (5) days of its submission by Blackhill to ATP. To the extent the Expense Retainer exceeds the amount due at the end of the Engagement Period, funds will be returned to ATP.

No fees, retainers or other compensation or benefits of any kind shall be paid by ATP to Latimer for his services to ATP. Blackhill shall be solely responsible for any and all compensation, remuneration, and benefits paid or provided to Latimer in connection with the services provided to ATP.

3. Information to be Supplied

Under the terms of this Agreement, we will be acting under the authority of the ATP Board of Directors. In connection with our engagement, ATP will furnish us with all information concerning the Company that we reasonably deem appropriate and will provide us with reasonable access to the Company’s managers, employees, accountants, counsel and other representatives (collectively, the “Representatives”), it being understood that we will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All confidential information concerning the Company that is given to us will be used solely in the course of the performance of our services hereunder. Except as otherwise required by law, we will not disclose this information to a third party without ATP’s consent.

No advice rendered or decisions taken by us, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent, which will not be unreasonably denied or withheld. In addition, we may not be otherwise referred to without our prior written consent.

4. Termination

Our engagement hereunder may be terminated at any time, with or without cause, by (i) Blackhill upon 10 days prior written notice thereof to ATP, such notice to be given by Registered, Certified or Express Mail or (ii) ATP in the event Latimer shall have deceased or shall become Disabled (“Disabled” shall mean, for the purpose hereof, the mental or physical incapacity of Latimer to perform the CRO functions for 30 or more consecutive days) or (iii) ATP (a) at any time during the Engagement Period if the Board of Directors of ATP shall have determined that Latimer or Blackhill shall have engaged in gross negligence or willful misconduct in connection with their services hereunder and (b) after December 31, 2013, upon 30 days prior written notice thereof to Blackhill, such notice to be given by Registered, Certified or Express Mail; provided, however, that in the event of any termination of our engagement, we will continue to be entitled to receive payment for any accrued but unpaid Professional Fees and the out-of-pocket expenses provided for herein through the date of such termination. Any termination shall not affect ATP’s agreement to indemnify Blackhill and certain related persons as provided in Schedule I attached hereto. Upon termination of this engagement for any reason, Latimer shall be deemed to have resigned, as of the time of such termination, from any and all positions he then holds with ATP (whether as an officer, limited liability company manager or otherwise) and each of its subsidiaries and/or affiliates.

5. Other Matters

In connection with this engagement, Blackhill is acting as an independent contractor with duties owing solely to ATP. This Agreement sets forth the entire agreement between the parties as to the subject matter hereof and supersedes all previous agreements between the parties hereto, whether written, oral or otherwise. The parties to this Agreement each hereby agree and acknowledge that none of the actions contemplated hereby is or shall be deemed (i) a contract or arrangement to sell real property, or (ii) an arrangement to which the laws, rules and regulations of any applicable agency governing the payment of real estate commission applies. ATP hereby irrevocably agrees not to, as part of any proceeding (judicial or otherwise) assert a defense that any of the fees (including amounts payable to Blackhill under Section 3) payable to Blackhill are not payable by virtue of the application of any laws, rules or regulations governing payment of real estate commissions.

Any amendments to this Agreement shall only be valid if made in writing and signed by all parties hereto. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

Since Blackhill will be acting on behalf of the Company in connection with its engagement hereunder, the Company agrees to the indemnification by the Company of Blackhill and certain related persons as described in Schedule I attached hereto.

Any notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be given by Registered, Certified or Express Mail (i) if to ATP, at the address set forth above, and (ii) if to Blackhill Partners LLC, at our offices at Blackhill Partners LLC; 2602 McKinney Ave, Suite 400; Dallas, Texas 75204; Attn: James R. Latimer, III.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Agreement may not be assigned by either party hereto, without the prior written consent of the other, to be given in the sole discretion of the party from whom such consent is being requested. Any attempted assignment of this Agreement made without such consent may be void, at the option of the non-assigning party. This Agreement has been and is made solely for the benefit of ATP and Blackhill and their respective successors and assigns, and no other shall acquire or have any right under or by virtue of this Agreement.

6. Governing Law

This Agreement is to be governed by the laws of the State of Texas, without giving effect to the principles of conflict of laws.

ATP Oil & Gas Corporation
Page 7

September 14, 2012

We are delighted to accept this engagement and look forward to working with you on this assignment. Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

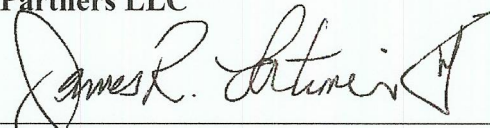
Very truly yours,

Blackhill Partners LLC

By: _____

Name: James R. Latimer, III

Title: Managing Director

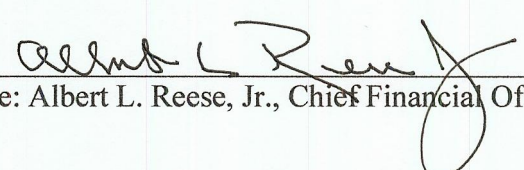


Accepted and agreed to by ATP as its valid legal obligation as of the date first written above:

ATP Oil & Gas Corporation

By: _____

Name: Albert L. Reese, Jr., Chief Financial Officer



SCHEDULE I

ATP will indemnify and hold harmless Blackhill, James R. Latimer, III ("Latimer"), Blackhill's affiliates, and their respective directors, officers, employees, agents, representatives and controlling persons (Blackhill, Latimer and each such entity or person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject, provided the same are related to or arising out of activities performed by or on behalf of an Indemnified Party pursuant to this Agreement, any transactions contemplated thereby or Blackhill's or Latimer's role in connection therewith; *provided* further that ATP will not be liable to the extent that any loss, claim, damage or liability is finally judicially determined to have resulted primarily from the Indemnified Party's gross negligence or willful misconduct. ATP agrees to reimburse any Indemnified Party for all reasonable costs and expenses (including counsel fees and disbursements) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim, or any action, investigation, suit or proceeding arising therefrom, whether or not such Indemnified Party is a party, including the enforcement of this Agreement. ATP agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to ATP, its owned or affiliated entities or its security holders or creditors, related to or arising out of the engagement of Blackhill or Latimer pursuant to, or the performance by Blackhill or Latimer of the services contemplated by, this Agreement except to the extent that any loss, claim, damage or liability is finally judicially determined to have resulted primarily from the Indemnified Party's gross negligence or willful misconduct.

If the indemnification provided for in this Agreement is for any reason held unenforceable, ATP agrees to contribute to the losses, claims, damages and liabilities, as incurred by any Indemnified Person, for which such indemnification is held unenforceable in such proportion as is appropriate to reflect the relative benefits to ATP and its owned or affiliated entities, on the one hand, and Blackhill, on the other hand, of the engagement of Blackhill. ATP agrees that for the purposes of this paragraph the relative benefits to ATP and Blackhill shall be deemed to be in the same proportion that the total value of the transactions under consideration by ATP compared to the professional fees paid or to be paid to Blackhill under this Agreement; *provided* that, to the extent permitted by applicable law, in no event shall the Indemnified Parties be required to contribute an aggregate amount in excess of the aggregate professional fees actually paid to Blackhill under this Agreement.

In the event ATP is considering entering into one transaction or a series of transactions involving a merger or other business combination or a dissolution or liquidation of all or a significant portion of its assets, ATP shall promptly notify Blackhill in writing. If requested by Blackhill and/or its assigns, ATP shall then establish alternative means of providing for its obligations set forth herein on terms and conditions reasonably satisfactory to Blackhill and/or its assigns, if any.

Promptly after receipt by an Indemnified Party of notice of any claim or the commencement of any action, suit or proceeding with respect to which an Indemnified Party may be entitled to indemnity hereunder, the Indemnified Parties will notify ATP in writing of such claim or of the commencement of such action or proceeding, and ATP will assume the defense of such action, suit or proceeding and will employ counsel reasonably satisfactory to the

Indemnified Parties and will pay the fees and disbursements of such counsel, as incurred. Notwithstanding the preceding sentence, any Indemnified Party will be entitled to employ counsel separate from counsel for ATP from any other party in such action if such Indemnified Party reasonably determines that a conflict of interest exists which makes representation by counsel chosen by ATP not advisable or if such Indemnified Party reasonably determines that ATP's assumption of the defense does not adequately represent its interest. In such event, the fees and disbursements of such separate counsel will be paid by ATP.

ATP agrees that, without Blackhill's prior written consent (which consent will not be unreasonably withheld), it will not settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought under the indemnification provision of this Agreement (whether or not Blackhill or any other Indemnified Party is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising out of such claim, action or proceeding. Blackhill agrees that, without ATP's prior written consent, it will not settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought under the indemnification provision of this Agreement (whether or not ATP is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising out of such claim, action or proceeding.

In the event any Indemnified Party is requested or required to appear as a witness in any action, suit or proceeding brought by or on behalf of or against ATP in which such Indemnified Party is not named as a defendant, ATP agree to reimburse Blackhill for all reasonable disbursements incurred by it in connection with such Indemnified Party's appearing and preparing to appear as a witness, including, without limitation, the fees and disbursements of its legal counsel, and to compensate Blackhill in an amount to be mutually agreed upon.

The provisions of Schedule I shall be in addition to any liability which ATP may otherwise have. The provisions of this Schedule I are to be governed by the laws of the State of Texas, without giving effect to the principles of conflict of laws. Each of the parties consents to binding arbitration as provided in this paragraph for any dispute among the parties arising out of matters related to this Schedule I. Each of the parties waives the right to commence an action in connection with this Schedule I in any court and expressly agrees to be bound by the decision of the arbitrator as provided herein. The waiver in this paragraph will not prevent any party from commencing an action in any court for the sole purposes of enforcing the obligation of a party to submit to binding arbitration or the enforcement of an award granted by arbitration herein. In the event of any dispute among the parties as to the interpretation of any provision of this Schedule I or the rights and obligations of any party hereunder, such dispute shall be resolved through binding arbitration as hereinafter provided. If arbitration is required to resolve a dispute among the parties, any party may notify J.A.M.S./Endispute ("Agency") and request Agency to select one person to act as the arbitrator for resolution of the dispute. The arbitrator selected pursuant to this paragraph will establish the rules for proceeding with the arbitration of the dispute and such rules will be binding upon all parties to the arbitration proceeding. The arbitrator may use the rules of the Agency for commercial arbitration but is encouraged to adopt such rules as the

arbitrator deems appropriate to accomplish the arbitration in the quickest and least expensive manner possible. Accordingly, the arbitrator may (i) dispense with any formal rules of evidence and allow hearsay testimony so as to limit the number of witnesses required, (ii) accept evidence of fair market value of any property involved in the dispute without formal appraisals and upon such information provided by parties or other persons and otherwise minimize discovery procedures as the arbitrator deems appropriate, (iii) act upon his understanding or interpretation of the law on any issue without the obligation to research such issue or accept or act upon briefs of the issue prepared by any party, (iv) limit the time for presentation of any party's case as well as the amount of information or number of witnesses to be presented in connection with any hearing, and (v) impose any other rules which the arbitrator believes appropriate to effect a resolution of the dispute as quickly and inexpensively as possible. The arbitrator will have the exclusive authority to determine and award costs of arbitration and the costs incurred by any party for their attorneys, advisors and consultants. Any award made by the arbitrator shall be binding on the parties and shall be enforceable to the fullest extent of the law. Any arbitration hereunder shall be conducted in Dallas, Texas, unless Agency shall not have an office in such location (and shall otherwise be unable to conduct the arbitration in such location) in which case such arbitration shall be conducted in such other place as determined by mutual consent of the parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

| | | |
|----------------------------|---|--------------------|
| In re: | § | Chapter 11 |
| | § | |
| ATP Oil & Gas Corporation, | § | Case No.: 12-36187 |
| | § | |
| Debtor. | § | Hon. Marvin Isgur |

**ORDER AUTHORIZING PURSUANT TO SECTIONS 327, 328
AND 363 OF THE BANKRUPTCY CODE AND RULE 2014 OF THE
FEDERAL RULES OF BANKRUPTCY PROCEDURE THE EMPLOYMENT
AND RETENTION OF BLACKHILL PARTNERS, LLC AND DESIGNATION
OF JAMES R. LATIMER, III AS CHIEF RESTRUCTURING
OFFICER TO THE DEBTOR, NUNC PRO TUNC TO SEPTEMBER 14, 2012**

Upon consideration of the application (the "Application") of the Debtor¹ for entry of an order pursuant to 11 U.S.C. §§327, 328 and 363 and Rule 2014 of the Federal Rules of Bankruptcy Procedure Authorizing the Employment and Retention of Blackhill Partners, LLC and Designation of James R. Latimer, III As Chief Restructuring Officer to the Debtor, *Nunc Pro Tunc* to September 14, 2012, all as more fully set forth in the Application, and all exhibits and attachments to the Application; and upon consideration of the Latimer Declaration, and all proceedings before the Court related to the Application; and the Court having found that: (i) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; (ii) this is a core proceeding pursuant to 28 U.S.C. § 157(b); (iii) venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409; (iv) the Application and the Latimer Declaration are in full compliance with all applicable provisions of the Bankruptcy Code, Bankruptcy Rules, Local Bankruptcy Rules of the Southern District of Texas, and orders and procedures of this Court; (v) Blackhill and Latimer represent no interest adverse to the Debtor's estate with respect to the

¹ All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the Application.

matters upon which they are to be engaged and are “disinterested persons” within the meaning of that term under Sections 101(14) and 1107(b) of the Bankruptcy Code; (vi) Blackhill and Latimer are qualified to represent the Debtor’s estate under Section 327 of the Bankruptcy Code; (vii) the terms of Blackhill and Latimer’s employment have been disclosed and are reasonable under the circumstances; (viii) proper and adequate notice of the Application and the hearing thereon was given, and no other or further notice is necessary; (ix) the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and (x) the relief sought in the Application is in the best interests of the Debtor and its estate; and after due deliberation and sufficient cause appearing therefore, it is hereby ORDERED THAT:

1. The Application is granted.

2. In accordance with Sections 327, 328 and 363 of the Bankruptcy Code, the Debtor is authorized to employ and retain Blackhill and designate Latimer as CRO, *Nunc Pro Tunc* to September 14, 2012, under the terms and conditions set forth in the Application and the Engagement Letter.

3. Blackhill and Latimer are authorized to perform any and all CRO services for the Debtor that are necessary or appropriate in connection with this Chapter 11 case.

4. Blackhill and Latimer shall be compensated for their services and reimbursed for related expenses in accordance with the terms and conditions of the Engagement Letter with the Debtor, as set forth in the Application and the procedures provided in Sections 330 and 331 of the Bankruptcy Code, to the extent permitted pursuant to the DIP Credit Agreement, and in accordance with applicable Federal Rules of Bankruptcy Procedure, Bankruptcy Local Rules of the Southern District of Texas, and any other applicable orders of this Court.

5. All compensation for services rendered and reimbursement for expenses incurred during this Chapter 11 case shall be paid after further application to and order of this Court.

6. This Order shall be immediately effective from the date of this order.

7. This Order, and all acts taken in furtherance or reliance thereon, shall be effective notwithstanding any objection until further order of this Court.

8. Any objection to the Application, including any claim that Blackhill and Latimer is precluded from representing the Debtor in this Chapter 11 case under Sections 327 or 328 of the Bankruptcy Code, that arises from a relationship disclosed in the Latimer Affidavit, is waived by any creditor or party-in-interest who received notice of the Application and failed to raise that objection, and such party shall be deemed to have consented to the Debtor's retention of Blackhill and Latimer under the terms set forth in the Application and any attachments to the same, and shall be forever barred and estopped from asserting any objection to the Application or the Debtor's retention of Blackhill and Latimer under the terms set forth in the Application and any attachments to the same.

9. The Debtor and Blackhill and Latimer are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Application.

10. This Court shall retain jurisdiction with respect to all matters arising or related to the implementation of this Order.

SIGNED this ____ day of October, 2012.

MARVIN ISGUR
UNITED STATES BANKRUPTCY JUDGE