

FULBRIGHT & JAWORSKI L.L.P.

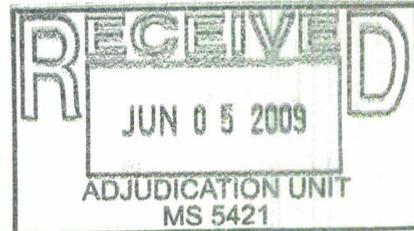
A REGISTERED LIMITED LIABILITY PARTNERSHIP

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June 4, 2009



BY FEDEX

Minerals Management Service
United State Department of the Interior
Gulf of Mexico-OCS Region
1201 Elmwood Park Boulevard
New Orleans, LA 70123-2394
Attn: Adjudication Unit

Re: Conveyance of Overriding Royalty Interest
from ATP Oil & Gas Corporation (GOM No. 01819)
to Diamond Offshore Company affecting
the following Oil and Gas Leases: OCS-G 13198,
OCS-G 15571, OCS-G 16661, OCS-G 22939 and OCS-G 24130

Dear Ladies and Gentlemen:

Enclosed are:

- (i) five (5) original counterparts of a single Conveyance of Overriding Royalty Interest, effective May 22, 2009, from ATP Oil & Gas Corporation (GOM No. 01819) to Diamond Offshore Company (the "Conveyance") which is submitted to be filed for record purposes only,
- (ii) one (1) original counterpart of the Conveyance for date stamping and return to me as requested below, and
- (iii) a photocopy of the Pay.gov confirmation of our online payment of the required filing fee with respect to the Conveyance.

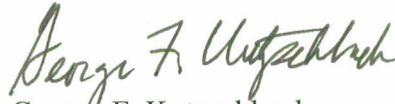
The Conveyance affects the following Oil and Gas Leases of Submerged Lands under the Outer Continental Shelf Lands Act: Lease Serial Numbers OCS-G 13198, OCS-G 15571, OCS-G 16661, OCS-G 22939, and OCS-G 24130. Please file a counterpart of the enclosed

Minerals Management Service
June 4, 2009
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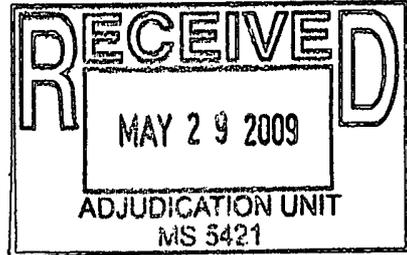
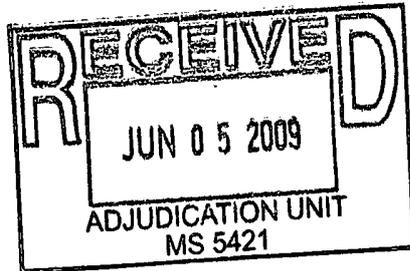
Conveyance in the MMS "Non-Required" records under **Category 5 – Overriding Royalty, Production Payment, Net Profits** with respect to the above listed Oil and Gas Leases.

Please call George Kutzschbach at (713) 651-3702 if you have any questions regarding this filing. Please return one (1) date stamped original counterpart of the enclosed conveyance to my attention at the above letterhead address. Thank you for your assistance in this matter.

Very truly yours,


George F. Kutzschbach

Enclosures



CONVEYANCE OF OVERRIDING ROYALTY INTEREST

from

ATP OIL & GAS CORPORATION

to

DIAMOND OFFSHORE COMPANY

This Conveyance affects the following Leases:

OCS G 13198
OCS G 15571
OCS G 16661
OCS G 22939, and
OCS G 24130

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Exhibits:

- Exhibit A – Leases; Subject Interests; Lease Burdens
- Exhibit B – Working Interest Units; Contracts and Agreements
- Exhibit C – Accounting Procedure

CONVEYANCE OF OVERRIDING ROYALTY INTEREST

THIS CONVEYANCE OF OVERRIDING ROYALTY INTEREST (this “Conveyance”), effective as of 12:01 a.m. on May 22, 2009, is from ATP Oil & Gas Corporation, a Texas corporation, whose address is 4600 Post Oak Place, Suite 200, Houston, Texas 77027 (“Grantor”), to Diamond Offshore Company, a Delaware corporation, whose address is 15415 Katy Freeway, Houston, Texas 77094 (“Grantee”).

WHEREAS, Grantor is the owner of undivided interests in and to the oil and gas leases described in Exhibit A hereto covering certain offshore areas in the Outer Continental Shelf, Gulf of Mexico, and Grantor has agreed to convey to Grantee the following described overriding royalty interest in such leases;

WHEREAS, capitalized terms as used herein shall have the meanings given to them in Article 2 hereof unless otherwise defined herein.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

ARTICLE 1 CONVEYANCE

1.1 Conveyance. For and in consideration of One Hundred Dollars (\$100.00) and other good and valuable consideration to Grantor in hand paid by Grantee, the receipt and sufficiency of which is hereby acknowledged, Grantor hereby GRANTS, BARGAINS, SELLS, CONVEYS, ASSIGNS, SETS OVER AND DELIVERS unto Grantee, an overriding royalty interest in the Subject Interests and in and to the Hydrocarbons in and under and that may be produced and saved from the Subject Interests equal to the Net Profit Amounts attributable to the Subject Interests, together with all and singular the rights and appurtenances thereto in anywise belonging (the “Overriding Royalty”).

TO HAVE AND TO HOLD the Overriding Royalty unto Grantee, its successors and assigns forever, subject to the terms, provisions and conditions of this Conveyance.

1.2 Non-Operating, Non-Expense-Bearing Interest. The Overriding Royalty conveyed hereby is a non-operating, non-expense-bearing limited overriding royalty interest in and to the Subject Interests (being a real property interest), free of all cost, risk and expense of exploration, development, improvement, production, operation, repair, maintenance, plugging and abandonment, remediation, treatment, processing, gathering, transportation, delivery, marketing and other handling of the Subject Interests or the Hydrocarbons attributable thereto. In no event shall Grantee ever be liable or responsible in any way for payment of any costs, expenses or liabilities attributable to the Subject Interests (or any part thereof) or the Hydrocarbons attributable thereto or incurred in connection with the exploration, development, improvement, production, operation, repair, maintenance, plugging and abandonment, remediation, treatment, processing, gathering, transportation, delivery, marketing and other

handling of the Subject Interests or the Hydrocarbons attributable thereto. This Conveyance is an absolute conveyance of a real property interest.

1.3 Term.

(a) Termination. Subject to the further provisions of this Section 1.3, including the exceptions and limitations on discharge of the Overriding Royalty under this Section 1.3, the Overriding Royalty shall remain in full force and effect until the Overriding Royalty Account has a zero balance. No application of Net Profit Amounts shall be deemed to have been made on the Overriding Royalty except for Net Profit Amounts actually paid to and received by Grantee.

(b) Effect of Restitution of Overriding Royalty. Notwithstanding Section 1.3(a), if Grantee shall be compelled, as a result of the failure by Grantor or any operator engaged by Grantor to comply with any rule, regulation or requirement of any Governmental Authority, including the Minerals Management Service or the Federal Energy Regulatory Commission, either before or after the Overriding Royalty would otherwise have been discharged under the terms of Section 1.3(a), to make any payment or other restitution on account of Net Profit Amounts theretofore paid to Grantee, then (i) the Overriding Royalty Account shall be credited with an amount equal to such payment or the value of such other restitution, plus any and all amounts which Grantee shall be compelled to pay in the nature of interest, damages and penalties, and (ii) if, at the time of any such payment or restitution, the Overriding Royalty but for the operation of this Section 1.3(b) would have been discharged pursuant to Section 1.3(a), then the Overriding Royalty shall not be deemed to have been discharged pursuant to Section 1.3(a), but shall be and continue in full force and effect following such payment or restitution (and the crediting of such payment or restitution, together with any such interest, damages or penalties, to the Overriding Royalty Account as provided above) and shall not be discharged until the Overriding Royalty Account thereafter has a zero balance, but in each case subject to being further continued in force and effect by virtue of any subsequent payment or restitution as contemplated by this Section 1.3(b).

(c) Effect of Discharge. Upon the full and final discharge of the Overriding Royalty as above provided, all rights, titles and interests herein conveyed to Grantee in the Subject Interests shall terminate, revert to and vest in Grantor and, upon request by Grantor, Grantee shall execute and deliver such instrument or instruments, in recordable form and in the numbers of counterparts (reasonably requested by Grantor) to permit filing with the MMS and recording in all relevant adjacent state records (including any other jurisdictions where Grantee has filed or recorded this Conveyance), as may be necessary to evidence the discharge and termination of the Overriding Royalty; provided, however, the discharge and termination of the Overriding Royalty shall not affect, release or discharge (i) the provisions of Section 1.3(b) or (ii) any liability for any breach of any covenants, agreements or obligations under this Conveyance.

(d) In the event any individual Subject Interest (or portion thereof, as applicable) should terminate before the discharge of the Overriding Royalty pursuant to

this Section and not be extended, renewed or replaced, the Overriding Royalty shall no longer apply to that particular Subject Interest (or such portion thereof, as applicable), but the Overriding Royalty shall remain in full force and effect and undiminished as to all remaining Subject Interests (and the remainder portion of such Subject Interest, as applicable), and the balance in the Overriding Royalty Account or the Contribution Account shall not be reduced or diminished by reason of the termination of a Lease (or the termination of a Lease as to such portion thereof, as applicable).

1.4 Certain Limitations. Grantee shall look solely to the Net Profit Amounts for satisfaction and discharge of the Overriding Royalty, and Grantor shall not be personally liable for the payment and discharge thereof other than for the delivery and payment of the Net Profit Amounts, if any, to Grantee; provided that, the foregoing shall not relieve Grantor of the obligation to respond in damages for any breach by Grantor of any of its covenants, agreements and obligations hereunder.

1.5 Royalties; Taxes. Without limiting the provisions of Article 3 regarding the determination of Net Profit Amounts, the Overriding Royalty shall be free of (and without deduction therefrom of) any and all other Royalties and Lease Burdens and shall bear no part of same. Grantor shall timely pay all Royalties and Lease Burdens to which the Subject Interests are from time to time burdened, and Grantor shall defend, indemnify and hold Grantee harmless from and against any loss or claim with respect to any such Royalties and Lease Burdens or any claim by the owners or holders of such Royalties or Lease Burdens. Without limiting the deduction of Taxes included in Permitted Deductions in connection with the determination of Net Profit Amounts, Grantor, as the owner of the Subject Interests, shall bear and pay all Taxes with respect to the Overriding Royalty and the Subject Hydrocarbons.

1.6 Pooling by Grantor. Except to the extent required by any Governmental Authority or as otherwise permitted in this Section 1.6, until the termination of the Overriding Royalty under Section 1.3, Grantor shall not pool, communitize, or unitize the Overriding Royalty or the Subject Interests without the express written consent of Grantee, and any purported pooling, communitization or unitization in contravention of the preceding clause shall be null and void as to Grantee and shall not have the effect of pooling, communitizing or unitizing or otherwise affecting the Overriding Royalty; provided, however, Grantor shall have, and hereby reserves, the right and power, without seeking the prior written consent of Grantee, (i) to unitize, communitize, or pool any portion of the Leases with any other portion of the Leases to the extent such unitization, communitization, or pooling is approved by the MMS; and (ii) to form the working interest or similar contractual units affecting those, and only those, Leases covering Green Canyon Area, Block 299, and the West half (W/2) of Green Canyon Area, Block 300, that Grantor is required or permitted to form pursuant to the terms of the farmout agreements described in Part A of Exhibit B, which units are not expected to be submitted to the MMS for approval.

1.7 Title. Grantor binds and obligates itself, its successors and assigns, to warrant and forever defend all and singular the Overriding Royalty unto Grantee, its successors and assigns, against every Person whomsoever lawfully claiming or to claim the same or any part thereof, subject only to (i) the terms, provisions and conditions of this Conveyance and (ii) the Permitted

Encumbrances to the extent (but only to the extent) that the same are valid and subsisting and affect title to the Subject Interests. Grantor further warrants and represents that (i) the Leases are valid and subsisting oil and gas leases covering the lands described in **Exhibit A**; (ii) Grantor's ownership of the Subject Interests entitles Grantor to a share of all Hydrocarbons produced from or attributable to the Leases, and the proceeds of such production, after giving effect to and/or deducting all applicable Royalties and Lease Burdens, that is not less than the respective net revenue interests identified on **Exhibit A**, and obligates Grantor to pay a share of all costs of operation and development of the Leases that is not greater than the respective record title interest, interest in operating rights, or leasehold interests identified on **Exhibit A**. There is also hereby conveyed to Grantee, by way of substitution and subrogation, all rights of warranty and contractual representations or covenants of any kind or nature held by Grantor and any Affiliate of Grantor against any of Grantor's or such Affiliate's respective predecessors in title with respect to the Subject Interests, insofar as directly or indirectly affecting the Overriding Royalty; provided, however, that, without limiting Grantee's substitution and subrogation rights in respect to the Overriding Royalty, Grantor reserves the right to enforce such rights of warranty and contractual representations or covenants as to the Subject Interests.

ARTICLE 2 DEFINITIONS AND REFERENCES

2.1 Defined Terms. Unless the context otherwise requires, in this Conveyance the following terms have the following meanings, with each such definition to be equally applicable both to the singular and the plural forms of the term so defined and to any other derivative of such term:

“Account Balance” means, as of a particular date with respect to the Net Profit Account, the Payment Account or the Overriding Royalty Account, as applicable, the aggregate amount of the debits charged against such account as of such date offset by the aggregate amount of the credits to such account as of such date, in accordance with the provisions of Article 3. After such offsetting of debits and credits, the Account Balance will be (i) zero or (ii) either a credit Account Balance or a debit Account Balance.

“Accounting Procedure” means the Accounting Procedure attached hereto as **Exhibit C**.

“Affiliate” means, as to the Person specified, any Person controlling, controlled by or under common control with such specified Person. For purposes of this definition, the term “control” or derivatives thereof means the possession by any Person or group of Persons who are Affiliates of each other of the direct or indirect power to vote 50% or more of the voting stock of a Person; and the term “voting stock” means shares or capital stock issued by a corporation, or the equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

“Aggregate Net Profit Amounts” means a share of the Subject Hydrocarbons that is not more than the Net Profit Amounts if the Net Profit Amounts are determined and calculated (i) with an “NP Percentage” of seventy percent (70%) rather than twenty-seven percent (27%) and (ii) substantially in the same manner that Net Profit Amounts are otherwise calculated under this Conveyance.

“Agreed Operations” means, collectively, the following operations in or with respect to the Agreed Wells using the drilling unit(s) provided by Grantee pursuant to and in accordance with the terms of the Drilling Contract or using another drilling rig if permitted by the terms of the Drilling Contract:

- (i) AT 63 #4 Well – Complete in its Target Formation;
- (ii) GC 299 #1 ST3 Well – sidetrack to and Complete in its Target Formation;
- (iii) GC 300 #1 ST 1 Well – Complete in its Target Formation;
- (iv) MC 941 #3 Well – drill to 13 5/8” casing point and set pipe;
- (v) MC 941 #4 Well – drill to 13 5/8” casing point and set pipe; and
- (vi) MC 942 #2 Well – drill to 13-5/8” casing point and set pipe.

“Agreed Rate” means interest at the rate of 7.5% per annum.

“Agreed Wells” means the following wells to be located on the Subject Interests (as the respective names of such wells may be changed or amended by the MMS):

Atwater Valley, Block 63:	AT 63 #4 Well
Green Canyon, Block 299	GC 299 #1ST3 Well
Green Canyon, Block 300 (W1/2)	GC 300 #1ST1 Well
Mississippi Canyon, Block 941	MC 941 #3 Well
Mississippi Canyon, Block 941	MC 941 #4 Well
Mississippi Canyon, Block 942	MC 942 #2 Well

“Business Day” means any day other than a Saturday or Sunday, a day on which Grantee’s Bank is not open for business, or a day on which banks in Houston, Texas or New York City are not open for business.

“Complete” means, with respect to a well, the operations relating to such well that are necessary to complete such well as a well capable of producing Hydrocarbons in paying quantities.

“Contribution Account” means the Contribution Account under the Farmout Agreement.

“Drilling Contract” means that certain Domestic Daywork Drilling Contract – Offshore dated August 4, 2008, between Grantor and Grantee, as amended by amendment dated May ~~22~~ 2009, between Grantor and Grantee, and as may be further amended from time to time in accordance with the terms thereof.

“Drilling Costs” means all costs and expenses incurred at any time for (i) the drilling, deepening, sidetracking, plugging back, logging, testing, completing, re-completing, fracturing, stimulating and other down-hole operations, equipping, and reworking or working over any well on any Lease or any land pooled, communitized or unitized therewith, (ii) the acquisition, construction or installation of all equipment and facilities on any Lease or any land pooled, communitized or unitized therewith, (iii) any geological, geochemical, geophysical, seismic or other scientific exploration work, services or data, (iv) acquiring any lease, right-of-way, easement or servitude, including all bonus payments, (v) title opinions, title examination and title curative, and (vi) overhead charges relating to any of the foregoing.

“Environmental Laws” means all Laws relating to (a) the control of any potential pollutant or protection of the air, water or land, (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation, (c) the regulation of or exposure to hazardous, toxic or other substances alleged to be harmful, (d) the health and safety of persons, and/or (e) natural resource damages, conservation of resources or wildlife, including: CERCLA; RCRA; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 et seq.; the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. Section 3009(f) et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. Section 651 et seq.; and any state equivalent laws.

“Existing Zone” means, with respect to a Well, any stratum of earth containing or thought to contain a common accumulation of oil and/or gas separately producible from any other common accumulation of oil and/or gas which, at the time in question, (i) is open to production of oil and/or gas in the wellbore of such Well, (ii) is behind the casing of such Well, or (iii) is penetrated by the wellbore of such Well.

“Farmout Agreement” means the Farmout Agreement, effective of even date with this Conveyance, by and between ATP Oil & Gas Corporation, as Farmor, and Diamond Offshore Company, as Farmee.

“Force Majeure” means riots, strikes, wars (declared or undeclared), insurrections, rebellions, terrorist acts, civil disturbances, dispositions or order of governmental authority, whether such authority be actual or assumed, acts of God (including adverse sea or weather conditions, including, but not limited to, tropical disturbances, tropical depressions, tropical storms, hurricanes, loop and eddy currents), inability to obtain equipment, supplies or fuel, or by any act or cause which is reasonably beyond the control of Grantor; provided, however, that Force Majeure shall not include lack of creditworthiness, financial distress or inability to pay debts when due.

“GAAP” means generally accepted accounting principles in the United States of America in effect from time to time, and consistently applied.

“Governmental Authority” means (i) the United States of America, (ii) any state, county, municipality, or other governmental subdivision within the United States of America, and (iii) any court or any governmental department, commission, board, bureau, agency, or other instrumentality of the United States of America or of any state, county, municipality, or other governmental subdivision within the United States of America.

“Grantee’s Bank” shall be as defined in Section 3.5.

“Gross Proceeds” means the gross amounts received from the sale of Subject Hydrocarbons, or if Subject Hydrocarbons are separated or processed by Plant Processing before sale, the Wellhead Value thereof, subject to the following:

(a) If a controversy exists (whether by reason of any statute, order, decree, rule, regulation, contract or otherwise) between Grantor and any purchaser as to the correct sales price of any Subject Hydrocarbons, then

(i) amounts withheld by the purchaser or deposited by it with an escrow agent shall not be considered to be received by Grantor until actually collected by Grantor, and if Grantor receives any interest, penalty, or other amount in respect thereof, the same shall also be included in Gross Proceeds;

(ii) amounts received by Grantor and promptly deposited by it with a federally insured bank as escrow agent pending settlement of such controversy shall not be considered to have been received by Grantor as long as such controversy exists, but all amounts, including any interest or other income, thereafter paid to Grantor by such escrow agent out of or on account of such escrow shall be considered to be amounts received from the sale of Subject Hydrocarbons; and

(iii) amounts received by Grantor and not deposited with an escrow agent as aforesaid shall be considered to be received for purposes of this definition of Gross Proceeds.

(b) Amounts received by Grantor from a purchaser of Subject Hydrocarbons (i) as a prepayment of any portion of the sales price for such Subject Hydrocarbons, (ii) as advance gas payments or (iii) as payments pursuant to contractual provisions providing for “take-or-pay” payments (including amounts awarded by a court or agreed to by the parties in any settlement of a claim, net of court costs and attorneys fees incurred in connection therewith, as damages for the failure or refusal of the purchaser to take Subject Hydrocarbons pursuant to the contract which contains such provisions) shall be considered to be received from the sale of Subject Hydrocarbons in the months in which the Subject Hydrocarbons to which such payments or prepayments relate or on which they are calculated are actually produced.

(c) Cash settlements and cash make-ups received by Grantor with respect to the Subject Interests under gas balancing or similar agreements shall be considered derived from the sale of Subject Hydrocarbons.

(d) Exchange traded futures contracts, over-the-counter derivative contracts, and other financial price risk management activities by Grantor or any Affiliate of Grantor shall not be considered to be sales of Subject Hydrocarbons, but all physical sales of Subject Hydrocarbons shall be considered to be sales of Subject Hydrocarbons.

“Hydrocarbons” means crude oil, natural gas, casinghead gas, condensate, distillate and other liquid or gaseous hydrocarbons, including any products, natural gas liquids, helium or other substances extracted, separated or recovered from hydrocarbons by means of Plant Processing or Treating, but excluding any products or other substances extracted, refined, manufactured or produced by means of any refining, manufacturing or petrochemical operations.

The term “incurred”, as used in this Conveyance, shall be interpreted in accordance with GAAP and Council of Petroleum Accountants Societies (COPAS) standards.

“Law” means any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other directive or requirement (whether or not having the force of law), including, without limitation, Environmental Laws, energy regulations and occupational, safety and health standards or controls, of any Governmental Authority.

“Lease” means an oil and gas lease identified in **Exhibit A** hereto as to all lands and depths described in such lease (or the applicable part or portion thereof if specifically limited in depth and/or areal extent in **Exhibit A**), together with any renewal or extension of such lease (as to all or any part or portion thereof), and any replacement lease taken upon or in anticipation of expiration or termination of such lease (if executed and delivered during the term of or within one (1) year after expiration of the predecessor lease), as to all lands and depths described in the predecessor lease (unless the predecessor lease is specifically limited in depth or areal extent in **Exhibit A** in which event only such portion of such lease shall be considered a renewal or extension or a replacement lease subject to this Conveyance); and “Leases” means all such leases and all such renewals and extensions and replacement leases.

“Lease Burdens” means any overriding royalties (including net profits interests), production payments and other burdens on production, other than Royalties and the Overriding Royalty.

“Lease Operating Expenses” means all expenses incurred by Grantor (in each case as determined and chargeable pursuant to the Accounting Procedure) with respect to production operations on and under the Leases to the extent attributable to the Subject Interests in any Successful Well after such Successful Well has been initially completed and equipped for the taking of production; provided, however, that Lease Operating Expenses shall not include any of the following costs or expenses (whether or not determined and/or chargeable pursuant to the Accounting Procedure):

- (a) Drilling Costs;
- (b) Taxes, Rentals, Royalties and Lease Burdens;
- (c) Costs or expenses of acquiring, installing or constructing (or replacing to the extent such replacement cost would be considered a capital expense under GAAP) platforms, tanks, flow lines, gathering lines or pipelines, compression, dehydration and Treating equipment and facilities, and other facilities or equipment installed or constructed on or in connection with the Lease;
- (d) Any abandonment related costs or expenses, including costs or expenses of (i) plugging, abandoning, dismantling, removing and/or decommissioning of wells, platforms, structures, equipment, facilities and other property and (ii) remediating or restoring any area or property;
- (e) Costs or expenses in connection with the defense, settlement or payment of damage claims against Grantor or violations or alleged violations of Law by Grantor;
- (f) Costs or expenses of Plant Processing, to the extent not taken into account in the calculation of Wellhead Value;
- (g) Costs or expenses of marketing the Subject Hydrocarbons, other than gathering, transportation, Treating and dehydration fees paid on an arms length basis to a Person who is not an Affiliate of Grantor to make the Subject Hydrocarbons marketable or transportable to or at the point of sale giving rise to Gross Proceeds; and
- (h) Premiums payable under the terms of Grantor's policies of loss of production income insurance, and any other costs incurred by Grantor in connection with such policies.

Costs of Treating the Subject Hydrocarbons before sale (other than costs under paragraphs (a), (b), (c), (d) and (e) above) that are incurred by Grantor (in each case as determined and chargeable pursuant to the Accounting Procedure) shall be included in Lease Operating Expenses. If Treating of the Subject Hydrocarbons before sale is done on an arms length basis by an Affiliate of Grantor, the costs of such Treating of the Subject Hydrocarbons (other than costs under paragraphs (a), (b), (c), (d) and (e) above) incurred by such Affiliate shall be included in Lease Operating Expenses, but only to the extent that such costs would be included in Lease Operating Expenses if such Treating operations were being conducted by Grantor and such costs were being incurred by Grantor.

“Lease Use Hydrocarbons” means any Hydrocarbons which are unavoidably lost in the production thereof or used by Grantor or the operator on the Leases or any unit in which the Leases are pooled, communitized or unitized for drilling and production operations conducted prudently and in good faith for the purpose of producing Hydrocarbons from the Leases or from such unit, but only for so long as and to the extent such Hydrocarbons are so used.

“MMS” means and refers to the “Minerals Management Service”, which is an agency of the United States Department of the Interior, or any successor governmental authority.

“Net Profit Account” shall have the meaning given to such term in Section 3.2.

“Net Profit Amounts” shall be the amounts payable to Grantee pursuant to Section 3.1.

“Non-Consent Hydrocarbons” means those Hydrocarbons produced from a Well during the applicable period of recoupment or reimbursement pursuant to a Non-Consent Provision covering that Well, which Hydrocarbons have been relinquished to the consenting party or participating party under the terms of such Non-Consent Provision as the result of the election by Grantor or a third party working interest owner in a Lease not to participate in the particular operation; provided, however, that Hydrocarbons relinquished by Grantor to an Affiliate of Grantor pursuant to a Non-Consent Provision shall not be Non-Consent Hydrocarbons.

“Non-Consent Provision” means a contractual provision contained in an operating agreement or unit agreement to which any Subject Interest is subject, which provision covers so-called non-consent operations or sole benefit operations and provides for relinquishment of production by non-consenting or non-participating parties during a period of recoupment or reimbursement of costs and expenses of the consenting or participating parties.

“NP Percentage” means twenty-seven percent (27%).

“Other Proceeds” means amounts (without duplication of any amounts received from the sale of Subject Hydrocarbons) which shall accrue and be attributable to the Subject Interests as a result of (a) proceeds attributable to the loss, damage or destruction of any Subject Interests or Subject Hydrocarbons (excluding insurance proceeds received by Grantor under its loss of production income insurance policies), (b) recoveries or payments received on account of or in connection with any breach, injury or damage or alleged breach, injury or damage, the settlement of any claim or dispute, or any release, termination or modification of or with respect to any Hydrocarbon sales contract to the extent affecting any of the Subject Interests or Subject Hydrocarbons, and (c) adjustments to and refunds or reimbursements of any item included in Lease Operating Expenses or Permitted Deductions, except that Other Proceeds shall be reduced in each case by reasonable out of pocket direct expenses incurred by Grantor in obtaining Other Proceeds.

“Overriding Royalty” shall have the meaning given to such term in Section 1.1.

“Overriding Royalty Account” shall have the meaning given to such term in Section 3.3(b).

“Payment Account” shall have the meaning given to such term in Section 3.3(a).

“Payment Month” shall have the meaning given to such term in Section 3.1.

“Permitted Deductions” means the amounts incurred by Grantor for the following (i) all Taxes, Royalties and Rentals to the extent attributable to a Subject Interest or the Subject Hydrocarbons attributable to such Subject Interest and accruing after the date on which Subject Hydrocarbons giving rise to Gross Proceeds are first produced from such Subject Interest; (ii) all Lease Burdens identified in Exhibit A as burdening a Subject Interest identified in Exhibit A to the extent the same are validly existing and enforceable, affect such Subject Interest and accrue after the date on which Subject Hydrocarbons giving rise to Gross Proceeds are first produced from such Subject Interest; and (iii) all amounts paid as cash settlements and cash make-ups by Grantor with respect to the Subject Interests under gas balancing or similar agreements to the extent that the overproduced status giving rise to such cash settlements or make-up gave rise to Gross Proceeds. The Permitted Deductions shall not include any Subsequent Lease Burdens.

“Permitted Encumbrances” means the following:

- (a) lessors’ royalties, overriding royalties, reversionary interests and similar burdens of record which do not reduce the net revenue interests set forth on Exhibit A;
- (b) division orders and sales contracts terminable without penalty upon no more than thirty (30) Days’ notice to the purchaser;
- (c) liens for taxes or assessments not yet delinquent;
- (d) materialman’s, mechanic’s, repairman’s, employee’s, contractor’s operator’s and other similar liens or charges arising in the ordinary course of business securing amounts not yet due and payable;
- (e) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations;
- (f) the Subordinated Mortgage, as subordinated in the definition thereof; and
- (g) all other liens, charges, encumbrances, contracts, agreements, operating and similar agreements respecting the operation and development of the Subject Interests entered into in the ordinary course of business (including, without limitation, the agreements, contracts and other instruments described in Exhibit B to the extent the same are valid and subsisting and burden or apply to the Subject Interests or any part thereof), instruments, obligations, defects and irregularities affecting the Leases which, taken individually or together: (i) do not secure an obligation in respect of borrowed money; (ii) do not interfere materially with the operation, value or use of any of the Leases; (iii) do not prevent Grantor from receiving the proceeds of production from any of the Leases or Grantee from receiving the Overriding Royalty, or the proceeds thereof; (iv) do not reduce the net revenue interests set forth in Exhibit A; and/or (v) do not increase the portion of the costs and expenses relating to any Leases that Grantor is obligated to pay above the operating rights or leasehold interest share set forth in Exhibit A;

provided, however, that, notwithstanding the foregoing, “Permitted Encumbrance” shall not include any encumbrance arising from or related to the failure of Grantor to comply with any provision of any agreement, contract or instrument which is a Permitted Encumbrance.

“Person” means any individual, any Governmental Authority, or any private, public or governmental enterprise, corporation, company, association, partnership, trust, estate or other entity or organization.

“Plant Processing” means the separation or processing of natural gas, casinghead gas or other gaseous hydrocarbons in a gas processing plant or similar facility to remove, extract or separate ethane, butane, propane, propane-butane mixtures, natural gasoline and other natural gas liquids or helium therefrom by means other than or in addition to Treating, but shall not include any refining, manufacturing or petrochemical operations, such as, but not limited to, production of ethylenes or polyethylenes.

“Rentals” means any payments necessary to maintain a Lease (or a pipeline segment or right-of-way used or held for use to gather or transport Hydrocarbons from a Lease) in force and effect, including delay rentals and shut-in royalty payments (but excluding Drilling Costs, Lease Operating Costs, the costs and expenses identified in paragraphs (c) through (g) of the definition of Lease Operating Costs, and Royalties).

“Royalties” means any royalties (other than shut-in royalties) reserved by the lessor under a Lease, including minimum royalties.

“Subject Hydrocarbons” means the gross amount of all Hydrocarbons produced and saved from, and which shall accrue and be attributable to, the Subject Interests, excluding Lease Use Hydrocarbons, but including any products, natural gas liquids, helium or other substances extracted, separated or recovered from Subject Hydrocarbons by means of Plant Processing or Treating. Any production of Hydrocarbons attributable to a Subject Interest which is taken by a working interest owner, other than Grantor, pursuant to a gas balancing or similar agreement shall not be considered Subject Hydrocarbons, but overproduction and make-up production thereunder with respect to a Subject Interest by Grantor shall be Subject Hydrocarbons. Subject Hydrocarbons shall not include any Non-Consent Hydrocarbons produced and saved from, and which shall accrue and be attributable to, the Subject Interests resulting from the election by Grantor, made in accordance with Section 4.1, not to participate in an operation; but only with respect to operations on wells other than the Agreed Wells or operations proposed and conducted after Grantor has participated in the operations identified for each of the Agreed Wells in Section 4.1. Subject Hydrocarbons shall include any Non-Consent Hydrocarbons produced and saved from, and which shall accrue and be attributable to, the Subject Interests resulting from the election by a third party not to participate in an operation.

“Subject Interests” or “Subject Interest” means the following:

- (a) all of Grantor’s record title interest (or operating rights), overriding royalty, or other interests in each Lease, or portion thereof, and other interests in oil and

gas, as described in Exhibit A and all rights, privileges and obligations appurtenant to each Lease; and

(b) all of Grantor's rights in any unit in which a Lease is (or may hereafter be) included, to the extent that these rights arise from and are associated with a Lease, including without limitation, all rights derived from any pooling order, operating agreement, communitization or other agreement or from any declaration or order of any Governmental Authority;

all as the same shall be enlarged by the discharge of any burdens or by the removal of any charges or encumbrances to which any of the same may be subject on the date of this Conveyance, and any and all renewals and extensions of any of the same, but expressly excluding any additional interest in the Leases acquired by Grantor after the execution and delivery of the Conveyance, other than by reason of or resulting from the discharge of any burden, the operation of a Non-Consent Provision, the reversion of any interest, or the removal of any charge or encumbrance.

"Subordinated Mortgage" means, insofar and only insofar as the same is subject and subordinate to the Overriding Royalty and this Conveyance, (i) that certain Act of Mortgage, Security Agreement, Financing Statement, Fixture Filing and Assignment of Production dated as of June 27, 2008, executed by ATP Oil & Gas Corporation as "Mortgagor", in favor of Credit Suisse, as "Collateral Agent", which Mortgage is recorded in the relevant Parishes of Louisiana and in the lease files of the MMS and (ii) that certain Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Production dated as of June 27, 2008, by ATP Oil & Gas Corporation as "Mortgagor, Debtor and Grantor", in favor of David H. Sweeney, Trustee for the benefit of Credit Suisse, as "Collateral Agent", which Deed of Trust is recorded in the lease files of the MMS. The "Subordinated Mortgage" shall also include any renewal, extension or amendment of the foregoing Mortgage, and any mortgage, security agreement, financing statement, fixture filing and/or assignment of production that replaces the foregoing Mortgage, in whole or in part, but in each case only to the extent that such renewal, extension, amendment and/or replacement is expressly subject and subordinate to the Overriding Royalty and this Conveyance.

"Subsequent Lease Burden" means any Lease Burden that satisfies all of the following criteria: (i) is created, granted, conveyed or assigned by Grantor with respect to any Subject Interest after the execution, delivery and recordation of this Conveyance, (ii) is payable solely out of a share of the Aggregate Net Profit Amounts, and (iii) is subject and subordinate to this Conveyance.

"Successful Well" means well completed on a Lease, or any lands pooled, communitized or unitized therewith, as a well capable of being classified by the Minerals Management Service as a well capable of producing Hydrocarbons in paying quantities pursuant to 30 CFR 250.115-116.

“Target Formation” means, with respect to an Agreed Well, the approximate depths in a formation at which Grantor has heretofore advised Grantee that Grantor plans to attempt to Complete such Agreed Well.

“Taxes” means all ad valorem, property, occupation, production, gathering, pipeline regulating, windfall profit, severance, gross production, excise and other taxes, governmental charges and assessments imposed on the Subject Interests, the Subject Hydrocarbons or the Overriding Royalty, other than income taxes, corporate franchise taxes and the Texas margin tax (and taxes similar to the Texas margin tax).

“Treating” means (a) the field treatment of crude oil to make it transportable, including the removal of mercaptans and impurities therefrom, (b) the separation of natural gas, casinghead gas or other gaseous hydrocarbons from crude oil by means of a conventional field separator, (c) the separation of distillate, condensate and similar products from natural gas, casinghead gas or other gaseous hydrocarbons by means of a conventional field separator, and (d) the processing of natural gas, casinghead gas or other gaseous hydrocarbons to remove, extract or separate non-hydrocarbon elements or compounds, such as helium, sulphur, mercaptans or impurities, therefrom, but shall not include (i) Plant Processing or (ii) any refining, manufacturing or petrochemical operations, such as, but not limited to, production of ethylenes or polyethylenes.

“Well” means any well at any time producing or capable of producing Hydrocarbons attributable to the Subject Interests, including any well which has been shut-in, has temporarily ceased production or on which workover, reworking, plugging and abandonment or other operations are being conducted or planned.

“Wellhead Value” means the gross amounts received from the sale of Subject Hydrocarbons less a charge for the separation or processing by Plant Processing (but not for any Treating) which occurs prior to such sale equal to any Plant Processing charges paid on an arms length basis to any Person who is not an Affiliate of Grantor.

2.2 References, Gender, Number. All references in this Conveyance to an “Article,” “Section,” or “subsection” shall be to an Article, Section or subsection of this Conveyance, unless the context requires otherwise. Unless the context otherwise requires, the words “this Conveyance,” “hereof,” “hereunder,” “herein,” “hereby,” or words of similar import shall refer to this Conveyance as a whole and not to a particular Article, Section, subsection, clause or other subdivision hereof. Whenever the context requires, the words used herein shall include the masculine, feminine and neuter gender, and the singular and the plural.

ARTICLE 3 NET PROFIT PAYMENTS

3.1 Payment of Net Profit Amounts. Subject to the other provisions of this Article 3, Grantor shall pay to Grantee, within thirty (30) days next following the close of each calendar month ending after the date of this Conveyance (each such calendar month being called a “Payment Month”), an amount (the “Net Profit Amounts”) equal to the lesser of (i) the credit

balance, if any, in the Net Profit Account as of the last day of the Payment Month most recently ended or (ii) the credit balance, if any, in the Payment Account as of the last day of the Payment Month most recently ended.

3.2 Net Profit Account. A net profit account (the “Net Profit Account”) with respect to the Subject Interests is hereby established as of the date of this Conveyance, and amounts shall be debited or credited to the Net Profit Account on and after such date as provided in this Article 3. The Net Profit Account shall be credited with the NP Percentage of all Gross Proceeds with respect to the Subject Interests. The Net Profit Account shall be debited with the following:

(a) (i) the NP Percentage of all Lease Operating Expenses and the NP Percentage of all Permitted Deductions, and (ii) with the amounts debited to the Net Profit Account pursuant to (i) being reduced by the NP Percentage of Other Proceeds as provided below; and

(b) the Net Profit Amounts when paid by Grantor and received by Grantee.

The NP Percentage of Other Proceeds received by Grantor during a Payment Month shall be applied to reduce (but not below zero) the debit balance of the Net Profit Account as of the last day of such Payment Month, with such debit balance being determined and such Other Proceeds applied to reduce the same prior to taking into account any credits made to the Net Profit Account by reason of any Gross Proceeds received by Grantor during such Payment Month; provided, however, that if the amount of Other Proceeds to be applied to reduce the debit balance in the Net Profit Account with respect to any Payment Month exceeds the amount of such debit balance, such excess shall be applied in a similar manner to reduce the debit balances in the Net Profit Account for subsequent Payment Months until all of such excess amounts have been applied in the foregoing manner.

3.3 Payment and Overriding Royalty Accounts.

(a) A payment account (the “Payment Account”) with respect to the Overriding Royalty is hereby established as of the date of this Conveyance, and amounts shall be debited or credited to the Payment Account on and after such date as provided in this Article 3. The Payment Account shall be debited with the Net Profit Amounts when paid by Grantor and received by Grantee. The Payment Account shall be credited with the following:

(i) all amounts from time to time debited to the Contribution Account shall be credited to the Payment Account on the respective dates and in the respective amounts debited to the Contribution Account;

(ii) any interest accruing during any Payment Month under Section 3.6 on a past due payment of a Net Profit Amount shall be credited to the Payment Account as of the last day of such Payment Month; and

(iii) all amounts from time to time credited to the Overriding Royalty Account pursuant to Section 3.3(b)(iv) shall be credited to the Payment

Account on the respective dates and in the respective amounts credited to the Overriding Royalty Account.

(b) An Overriding Royalty account (the "Overriding Royalty Account") with respect to the Overriding Royalty is hereby established as of the date of this Conveyance, and amounts shall be debited or credited to the Overriding Royalty Account on and after such date as provided in this Article 3. The Overriding Royalty Account shall be debited with the Net Profit Amounts when paid by Grantor and received by Grantee. The Overriding Royalty Account shall be credited with the following:

(i) the amount of \$116,400,000 shall be credited to the Overriding Royalty Account as of the date of this Conveyance;

(ii) if the aggregate amounts from time to time debited to the Contribution Account exceed \$116,400,000, such excess amounts shall be credited to the Overriding Royalty Account on the respective dates and in the respective amounts that such excess amounts are debited to the Contribution Account;

(iii) any interest accruing during any Payment Month under Section 3.6 on a past due payment of a Net Profit Amount shall be credited to the Overriding Royalty Account as of the last day of such Payment Month; and

(iv) the dollar amount of any payment or the dollar value of any restitution made by Grantee which is required to be credited to the Overriding Royalty Account pursuant to Section 1.3(b), such amounts to be credited to the Overriding Royalty Account on the date such payment or restitution is made by Grantee.

In no event shall the total amount credited to the Overriding Royalty Account exceed, in the aggregate, \$177,500,000.00.

3.4 Accounting. The NP Percentage of Gross Proceeds received by Grantor during a Payment Month shall be credited to the Net Profit Account as of the last day of such Payment Month. The NP Percentage of Lease Operating Expenses or Permitted Deductions which are incurred by Grantor during a Payment Month shall be debited to the Net Profit Account as of the last day of such Payment Month. A credit balance in the Net Profit Account shall be deemed to exist at the end of a Payment Month when (i) the sum of (A) the amount of any undistributed credit Account Balance existing in the Net Profit Account at the beginning of such Payment Month, plus (B) the total credits properly made to the Net Profit Account as of the last day of such Payment Month, exceeds (ii) the sum of (A) the amount of any debit Account Balance existing in the Net Profit Account at the beginning of such Payment Month, plus (B) the total debits properly made to the Net Profit Account as of the last day of such Payment Month. A debit balance in the Net Profit Account shall be deemed to exist at the end of a Payment Month when (i) the sum of (A) the amount of any debit Account Balance existing in the Net Profit Account at the beginning of such Payment Month, plus (B) the total debits properly made to the Net Profit Account as of the last day of such Payment Month, exceeds (ii) the sum of (A) the

amount of any undistributed credit Account Balance existing in the Net Profit Account at the beginning of such Payment Month, plus (B) the total credits properly made to the Net Profit Account as of the last day of such Payment Month. Any undistributed credit Account Balance in the Net Profit Account, as well as any debit Account Balance in the Net Profit Account, existing at the end of a Payment Month shall be carried forward to the next succeeding Payment Month(s).

3.5 Payments. All amounts payable by the parties under this Conveyance are payable in U.S. Dollars. If a due date for a payment hereunder falls on a day which is not a Business Day, the due date for such payment shall be the next day which is a Business Day. Grantee shall from time to time furnish Grantor with appropriate wire transfer instructions which will enable Grantor to make payments of amounts owing by Grantor to Grantee hereunder by wire transfer to Grantee's bank account in a bank in the United States of America ("Grantee's Bank"). Grantee's wire transfer instructions shall continue in effect until changed by Grantee by written notice to Grantor, or the receipt by Grantor of written notice from Grantee's Bank that such instructions are no longer valid or that such account has been closed. If Grantor has not received such appropriate wire transfer instructions from Grantee at least five (5) Business Days prior to the due date for any payment owed by Grantor to Grantee hereunder, such due date shall be extended without interest or penalty to the next Business Day following the expiration of five (5) Business Days after Grantor receives such appropriate wire transfer instructions from Grantee.

3.6 Interest on Past Due Payments. Except as provided in Section 3.5, any Net Profit Amounts not paid to Grantee when due, shall bear, and Grantor will pay, interest thereon at the Agreed Rate from such due date until such amount is paid, but not in excess of the maximum amount of interest allowed by applicable law, which the parties agree is the law of Texas.

ARTICLE 4 AGREEMENTS AND COVENANTS

4.1 Operations. Until the termination of the Overriding Royalty in accordance with Section 1.3, Grantor covenants and agrees that it will:

(a) conduct the Agreed Operations and the other operations referred to in Section 4.1(a)(ii) in and with respect to the Agreed Wells (as the respective names of such Agreed Wells may be changed or amended by the MMS) consistent with good oilfield practices that would be employed by a prudent operator (and without regard to the existence of the Overriding Royalty and the Subsequent Lease Burdens); provided, however, that:

(i) Grantor will commence and complete, or to cause to be commenced and completed, the Agreed Operations, with diligence and without delay, in a manner consistent with good oilfield practices that would be employed by a prudent operator (without regard to the existence of the Overriding Royalty and the Subsequent Lease Burdens), in and with respect to (A) the MC 941 #3 Well, the MC 941 #4 Well, and the MC 942 #2 Well during the period of the First Campaign (as defined in the Drilling Contract), and (B)

the AT 63 #4 Well, the GC 299 #1 ST 3 Well, and the GC 300 #1 ST1 Well during the period of the Second Campaign (as defined in the Drilling Contract), subject to Section 4.1(a)(v);

(ii) When Grantor has completed performance of the Agreed Operations in and with respect to the MC 941 #3 Well, the MC 941 #4 Well, and the MC 942 #2 Well, Grantor shall continue to drill each of such wells to and attempt to Complete each of such wells in, its respective Target Formation utilizing the platform rig for the MC 941 platform, in each case with diligence and without delay, and in a manner consistent with good oilfield practices that would be employed by a prudent operator (without regard to the existence of the Overriding Royalty and the Subsequent Lease Burdens), subject to Section 4.1(a)(v);

(iii) Grantor shall have no liability to Grantee if Grantor, in Grantor's reasonable judgment exercised in good faith as a prudent operator (and without regard to the existence of the Overriding Royalty and the Subsequent Lease Burdens), determines that Grantor is unable successfully to Complete (regardless of whether pursuant to an Agreed Operation or otherwise) an Agreed Well in its Target Formation (or another formation above such Target Formation) and elects to plug and abandon such Agreed Well as a dry hole;

(iv) If Grantor, for any reason other than the plugging and abandonment as a dry hole of an Agreed Well as contemplated above in Section 4.1(a)(iii), fails to complete the performance of an Agreed Operation, or any operation contemplated by Section 4.1(a)(ii), in and with respect to an Agreed Well as provided in Section 4.1(a), then Grantor shall, at Grantor's option, either (A) attempt to complete the performance of the relevant Agreed Operation, or such other operation contemplated by Section 4.1(a)(ii) (as the case may be), in the affected Agreed Well, or (B) drill or sidetrack and attempt to Complete a new well to the same Target Formation as the affected Agreed Well and at a location on the Subject Interests selected by Grantor. In either case, Grantor shall utilize a drilling rig other than one provided by Grantee under the Drilling Contract and may conduct all of such operations with diligence, without unnecessary delay, and in a manner consistent with good oilfield practices that would be employed by a prudent operator (without regard to the existence of the Overriding Royalty and the Subsequent Lease Burdens). Any such additional well drilled in replacement of an Agreed Well shall constitute an Agreed Well for all purposes hereunder; and

(v) If the commencement or completion of any portion of the Agreed Operations or any portion of the other operations referred to in Section 4.1(a)(ii) or (iv) in and with respect to the Agreed Wells is delayed or prevented by Force Majeure, then Grantor's obligations to conduct such portion of the Agreed Operations or such portion of such other operations shall be

suspended so long as (but for no longer period than) the conduct thereof is prevented by Force Majeure, but only to the extent that (1) Grantor gives Grantee written notice and reasonably full particulars of such Force Majeure and the resulting delay or prevention as promptly as possible after its occurrence and (2) Grantor, so far as possible, remedies the delay or prevention of such Force Majeure with all reasonable dispatch;

(b) conduct and carry on, or cause to be conducted and carried on, the development, maintenance and operation of the Subject Interests (including the drilling, testing, deepening, sidetracking, completing, recompleting, equipping, reworking, maintaining and operating of wells with respect thereto) in accordance with good oil and gas field practices that would be employed by a prudent operator (and without regard to the existence of the Overriding Royalty and the Subsequent Lease Burdens);

(c) pay, or in the case of third party obligations use reasonable commercial efforts to cause such third parties to pay, promptly as and when due and payable, (i) all Rentals, Royalties and Lease Burdens payable with respect to the Subject Interests or Subject Hydrocarbons (or necessary to maintain the Subject Interests in full force and effect), (ii) all Taxes which may be imposed on the Subject Interests or the Subject Hydrocarbons, and (iii) all costs and expenses of development, maintenance and operation of the Subject Interests;

(d) cause all machinery, equipment and facilities now or hereafter located on the Subject Interests, and all machinery, equipment and facilities necessary or useful in the operation thereof or for the production, storage, separation, treatment, processing or other handling of Subject Hydrocarbons therefrom, to be provided and to be kept in good and effective operating condition, and all repairs, renewals, replacements, additions and improvements thereof or thereto, needful to such end, to be promptly made;

(e) comply, and use reasonable commercial efforts to cause all operators and contractors to comply, with all Laws applicable to the Subject Interests, operations with respect thereto and production attributable thereto;

(f) insure and keep insured such part of the Subject Interests which is of an insurable nature under insurance policies in such amounts and covering such risks as are usually (under market conditions from time to time existing) carried by companies engaged in business similar to that of Grantor in the same general area or areas in which the Subject Interests are located;

(g) carry workman's compensation insurance and public liability and property damage insurance in respect of all activities relating to the Subject Interests in which Grantor might incur personal liability for the death or injury of an employee or third person, or damage to or destruction of another's property, in each case of the extent required by Law and under insurance policies in such amounts and covering such risks as are usually (under market conditions from time to time existing) carried by companies

engaged in business similar to that of Grantor in the same general area or areas in which the Subject Interests are located;

(h) not resign or agree to a change that would cause Grantor not to be the operator of the Subject Interests without the prior written consent of Grantee, which consent shall not be unreasonably withheld or delayed by Grantee; and

(i) Grantor shall not market, sell or otherwise dispose of Subject Hydrocarbons in a manner reasonably expected to give rise to prepayments, advance payments or other payments of the nature covered by paragraph (b) of the definition of Gross Proceeds without the prior written consent of Grantee; which consent shall not be unreasonably withheld or delayed by Grantee, and may be conditioned on Grantor's depositing the portion of such prepayments or payments when received in escrow (with an escrow agent and on terms reasonably acceptable to Grantee) which are equal to the amounts of the Net Profit Amounts that are reasonably estimated to accrue in the future from such prepayments or payments when the relevant Subject Hydrocarbons are actually produced.

4.2 Abandonment, Modification and Release of Properties. Until the termination of the Overriding Royalty in accordance with Section 1.3, Grantor shall not, without first obtaining the written consent of Grantee, (1) abandon any Well or an Existing Zone with respect to a Well or (2) amend, modify, surrender or release any Subject Interest or any part thereof; provided that, without the consent of Grantee:

(a) Non-Commercial Wells: if and when, in Grantor's reasonable judgment, exercised in good faith and as would a prudent operator, a Well is no longer capable of producing Subject Hydrocarbons in paying quantities and it would not be economically feasible to secure, restore or otherwise obtain the production of Subject Hydrocarbons in paying quantities from an Existing Zone with respect to such Well, Grantor shall have the right to abandon such Well; provided, however, that if Grantor's reasonable judgment as aforesaid is exercised in good faith and the MMS expressly approves such abandonment following Grantor's compliance with all applicable Laws in connection with obtaining such MMS approval, then Grantor shall be deemed to have acted as a prudent operator in connection with such decision;

(b) Non-Commercial Zones: Grantor shall have the right to abandon, plug, seal off or otherwise cease production or operations with respect to an Existing Zone in a Well when, in the reasonable judgment of Grantor exercised in good faith and as would a prudent operator, such Well is no longer capable of producing Subject Hydrocarbons in paying quantities from such Existing Zone and it would not be economically feasible to secure, restore or otherwise obtain the production of Subject Hydrocarbons in paying quantities from such Existing Zone in such Well; provided, however, that if Grantor's reasonable judgment as aforesaid is exercised in good faith and the MMS expressly approves such abandonment or other action following Grantor's compliance with all applicable Laws in connection with obtaining such MMS approval, then Grantor shall be deemed to have acted as a prudent operator in connection with such decision; and

(c) Emergencies: If an emergency exists that poses an imminent threat to life, safety, property or the environment, Grantor may immediately take those actions in accordance with good oil and gas field practices as would a prudent operator as are necessary to deal with the emergency, but only to the extent necessary to stabilize the situation and alleviate the imminent threat; and provided further that Grantor shall report to Grantee, as promptly as possible, the nature of the emergency and the action taken;

provided that any determination of the economic feasibility of an operation pursuant to subsection (a) or (b) above shall be made without regard to the existence of the Overriding Royalty and the Subsequent Lease Burdens.

4.3 Implied Covenants. Without limiting or impairing any rights or remedies of Grantee under or with respect to any express representations, warranties, covenants or agreements under this Conveyance, Grantor expressly covenants and agrees that Grantee shall have the benefit of and be entitled to enforce with respect to the Overriding Royalty all covenants and agreements which are implied at law or in equity for the benefit of an oil or gas lessor in an oil and gas lease (including implied covenants of development, protection, management and administration) as if this Conveyance was an oil and gas lease, Grantee was the lessor of the Subject Interests to Grantor as lessee, and the Overriding Royalty was royalty reserved by Grantee as the lessor under such oil and gas lease; provided, however, to the extent that an express covenant herein addresses the subject matter of any such implied covenant or agreement, such express covenant shall control and the implied covenant shall not apply.

4.4 Marketing of Subject Hydrocarbons. Grantor shall sell or cause to be sold the Subject Hydrocarbons at the best prices and on the best terms that Grantor in its good faith discretion shall deem reasonably obtainable under the circumstances. Grantor shall not sell any Subject Hydrocarbons to an Affiliate of Grantor without first obtaining the written consent of Grantee, which consent shall not be unreasonably withheld or delayed. Without intending to affect the meaning or interpretation of clause (d) of the definition of Gross Proceeds, Grantor shall not have any obligation hereunder to hedge to augment Gross Proceeds.

4.5 Other Warranties and Representations.

(a) Grantor represents and warrants, as of the date of execution hereof, to Grantee (i) that Grantor has all requisite corporate power and authority to execute and deliver this Conveyance, (ii) that the execution, delivery and performance of this Conveyance by Grantor have been duly and validly authorized by all requisite corporate action on the part of Grantor, and (iii) that Grantor is the operator of all of the Leases.

(b) Grantee represents and warrants, as of the date of execution hereof, to Grantor (i) that it has all requisite corporate power and authority to execute and deliver this Conveyance and (ii) that the execution, delivery and performance of this Conveyance by it have been duly and validly authorized by all requisite corporate action on its part.

4.6 Consents. Whenever the consent of Grantee or Grantor is required under the terms of this Conveyance, such consent may be withheld and delayed by the party whose consent is required until such party has been provided and has a reasonable time to review all information

reasonably available and reasonably requested by such party to enable such party to make an informed decision regarding such consent.

ARTICLE 5 RECORDS, STATEMENTS AND INFORMATION

5.1 Books and Records. Grantor shall at all times maintain true and fair books and records sufficient to determine the Net Profit Amounts payable to Grantee hereunder and to reflect, support and account for all Gross Proceeds, Lease Operating Expenses, Rentals, Royalties, Lease Burdens, Taxes and other amounts credited or debited to the Net Profit Account, the Payment Account and the Overriding Royalty Account; provided, however, that in maintaining such books and records Grantor shall use, and may rely upon, the information furnished by Grantee to Grantor in regard to the amounts debited or credited to the Contribution Account and the balances of the Contribution Account from time to time. Such books, records and accounts shall be maintained on a U.S. Dollar basis. Such books, records and accounts shall be simply book entries and Grantor shall not be obligated to transfer any funds to or from such accounts or to maintain any funds therein.

5.2 Inspections. The books and records referred to in Section 5.1 (and the supporting documentation and information with respect thereto) shall be open for inspection, copying and audit (at Grantee's sole cost and expense) by Grantee and/or Grantee's accountants or representatives, at the office of Grantor during normal business hours.

5.3 Monthly Statements. Within thirty (30) days next following the close of each calendar month, Grantor shall deliver to Grantee a reasonably itemized statement showing (i) the Gross Proceeds, Lease Operating Expenses, Rentals, Royalties, Lease Burdens, Taxes and other amounts credited or debited to the Net Profit Account, the Payment Account and the Overriding Royalty Account, as applicable, during such month, (ii) the Account Balances in such accounts as of the end of such month, and (iii) the computation of the Net Profit Amount, if any, attributable to such month.

5.4 Annual Reports. Within sixty (60) days after the end of each calendar year, Grantor shall deliver to Grantee a statement which shall show on an annual basis the information provided for in Section 5.3.

5.5 Exceptions to Statements. If Grantee shall take exception to any item or items included in the monthly statements rendered by Grantor or the annual report furnished for any year pursuant to Sections 5.3 or 5.4, Grantee shall notify Grantor in writing within two years after the receipt of the annual report furnished pursuant to Section 5.4, setting forth in such notice the specific charges or debits complained of and to which exception is taken or the specific credits which should have been made and allowed; and with respect to such complaints and exceptions as are valid, adjustment and payment, plus interest as provided in Section 3.6, shall promptly be made. If Grantor believes any overpayment has been made with respect to any year, Grantor shall notify Grantee in writing within two years after the annual report for such year furnished pursuant to Section 5.4 is furnished to Grantee, setting forth in such notice the specific credits complained of and to which exception is taken and the specific charges or debits

which should have been made and allowed, and with respect to such complaints and exceptions as are valid, adjustment and payment shall promptly be made. If Grantee or Grantor shall fail to give the other written notice of such complaints and exceptions prior to the expiration of such two-year period, then the statements for such calendar year as originally rendered by Grantor shall be deemed to be correct as rendered, no adjustment shall be made and Grantee shall no longer be entitled to inspect, copy or audit Grantor's books and records with respect to such calendar year. Any complaints or exceptions as to which written notice is not given within such two-year period shall be waived.

5.6 Other Information. Grantor shall give Grantee reasonable advance written notice of the commencement of any drilling, testing, completion, recompletion, sidetracking, deepening, reworking, plugging or abandonment operations with respect to any well. To the extent requested by Grantee from time to time, Grantor shall provide Grantee the following data and reports as they are currently produced and compiled with respect to the Subject Interest, unless otherwise agreed by Grantee:

- (a) copies of all well logs or surveys;
- (b) daily drilling progress reports;
- (c) copies of all drill stem tests and core analysis reports;
- (d) copies of the plugging reports;
- (e) free access to (but not copies of) geological and geophysical data, maps and reports, seismic sections and shot point location maps, subject to any restrictions on Grantor's right to do so under applicable contracts for the benefit of third parties who are not Affiliates of Grantor;
- (f) engineering studies, development schedules and monthly progress reports on development projects;
- (g) production reports;
- (h) field and well performance reports, including reservoir studies and reserve estimates;
- (i) copies of all reports relating to the Subject Interests furnished by Grantor or any operator of the Subject Interests to any Governmental Authority, except magnetic tapes which shall be stored by Grantor and made available for inspection and/or copying at the sole expense of Grantee;
- (j) copies of all insurance policies covering operations with respect to the Subject Interests, if so requested by Grantee; and
- (k) such additional data and other information relating to the Subject Interests in the possession of Grantor or the operator of the Subject Interests as Grantee may

request which is reasonably necessary for Grantee or a petroleum engineer hired by Grantee to prepare, update or revise any reserve report with respect to the Leases.

Grantee shall hold in confidence any confidential information it has obtained from Grantor pursuant to this Section 5.6 using the same degree of care that it uses in safeguarding its own confidential information; provided that disclosure thereof shall be permitted: (a) to the lenders and insurers of Grantee and to Diamond Offshore Drilling, Inc., and its Affiliates (to the extent only that Diamond Offshore Drilling, Inc., directly or indirectly, has the power to vote 50% or more of the voting stock of such Affiliate) to the extent the foregoing Persons need to know such information in connection with their respective dealings with or for Grantee, (b) to the officers, employees, agents, consultants, engineers, auditors and attorneys of Grantee or any Person described in the preceding clause (a), in each case to the extent such Persons need to know such information in connection with their respective dealings with or for Grantee, (c) in the course of any trial or other legal proceeding between any of the parties hereto, (d) as required by any applicable Law (including any subpoena, interrogatory, or other similar requirement for such information to be disclosed), and (e) in connection with any assignment or potential assignment of Grantee 's rights or interests under this Conveyance; provided that each such assignee or potential assignee is required to agree, for the benefit of Grantor, to keep such information confidential on the same basis as Grantee.

ARTICLE 6 MISCELLANEOUS

6.1 Notices. Unless otherwise expressly provided in this Conveyance, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (e.g., by FedEx) or by registered or certified United States Mail to the Person to be notified, with receipt obtained, or (ii) sent by telecopy, telefax or other facsimile or electronic transmission, with "answer back" or other "advice of receipt" obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received by telecopy, telefax or other facsimile or electronic transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first Business Day following the date of such electronic receipt. Notices required by this Conveyance shall not be deemed to be received until actually received at the designated address. Until changed as provided below, the respective addresses of the parties for notices and communications are as follows:

Grantor:	ATP Oil & Gas Corporation 4600 Post Oak Place Suite 200 Houston, Texas 77027 Facsimile No.: (713) 622-5101 Attention: Leland E. Tate
Grantee:	Diamond Offshore Company 15415 Katy Freeway

Houston, Texas 77094
Facsimile No.: 281-647-2223
Attention: William C. Long

Any party or the successors or assignees of the interest of any party hereunder may change its address or designate a new or different address or addresses for the purposes hereof by a similar notice given or directed to all parties interested hereunder at the time.

6.2 Governing Law. **THIS CONVEYANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, EXCEPT TO THE EXTENT THE LAWS OF ANY OTHER STATE ARE MANDATORILY APPLICABLE. THE PARTIES HEREBY IRREVOCABLY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY TEXAS STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN HARRIS COUNTY, TEXAS, AND ANY APPELLATE COURT FROM ANY THEREOF, WITH RESPECT TO ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS CONVEYANCE AND CONSENT TO THE SERVICE OF PROCESS IN ANY MANNER PERMITTED BY LAW.**

6.3 Mortgages and Liens; Successors and Assigns.

(a) The provisions and conditions contained in this Conveyance shall run with the land and the respective interests of Grantor and Grantee and, subject to the restrictions of this Section 6.3, shall be binding upon and inure to the benefit of Grantor and Grantee and their respective successors and assigns.

(b) Grantor shall not mortgage, pledge or hypothecate the Subject Interests or create or allow to remain thereon any lien or security interest thereon or on any Hydrocarbons produced therefrom unless the same is expressly subject and subordinate to this Conveyance. Except for (i) the Subordinated Mortgage, (ii) mortgages, pledges, hypothecations, liens and security interests permitted by the preceding sentence, (iii) the transfers of Subject Interests (other than Lease Burdens) permitted in Section 6.3(c), and (iv) the Subsequent Lease Burdens, Grantor shall not assign, sell, convey or otherwise transfer the Subject Interests or any part thereof (including creation of a Lease Burden) unless Grantee expressly consents thereto in writing, and such assignment, sale, conveyance, transfer or creation is made and accepted expressly subject and subordinate to this Conveyance, and also in the case of any assignment, sale, conveyance or other transfer of all or any part of the record title interest or operating rights interest in any Lease, unless the transferee expressly agrees in a writing delivered to Grantee to assume and perform all of Grantor's obligations under this Conveyance attributable to the portion of the record title interest or operating rights interest so transferred. Any purported mortgage, pledge, hypothecation, lien, security interest, assignment, sale, conveyance or other transfer (including creation of a Lease Burden) in contravention of the foregoing terms shall be null and void.

(c) Notwithstanding the foregoing restrictions in Section 6.3(b) on assignments, sales, conveyances and other transfers of Subject Interests (other than the restrictions on Lease Burdens), Grantor may assign, sell, convey and transfer its rights and obligations hereunder and in the Subject Interests (excluding the creation, assignment, sale, conveyance and other transfer of any Lease Burden), in whole or in part, to a Person who is financially capable of assuming the corresponding obligations of Grantor under this Conveyance, without the consent of Grantee, provided (i) such transfer is preceded by written notice to Grantee of such proposed transfer, including supporting information as is reasonably necessary for Grantee to verify that such transferee is financially capable of assuming the corresponding obligations of Grantor under this Conveyance, (ii) such transferee expressly agrees in a writing delivered to Grantee to assume and perform all of Grantor's obligations under this Conveyance attributable to the portion of the record title interest or operating rights interest so transferred, and (iii) such transfer or assignment is made and accepted expressly subject and subordinate to this Conveyance. Nothing contained in this Section 6.3(c) shall be deemed or construed, however, to restrict in any way the right of Grantor to create, assign, sell, convey, or otherwise transfer any Subsequent Lease Burden.

(d) Subject to the foregoing provisions of this Section 6.3, all references herein to either Grantor or Grantee shall include their respective successors and assigns.

6.4 Interpretation. It is expressly agreed that this Conveyance shall not be construed against any party, and no consideration shall be given or presumption made, on the basis of who drafted this Conveyance or any particular provision hereof or who supplied the form of Conveyance. Each party agrees that this Conveyance has been purposefully drawn and correctly reflects its understanding of the transaction that this Conveyance contemplates. In construing this Conveyance:

(a) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;

(b) the word "includes" and its derivatives means "includes, but is not limited to" and corresponding derivative expressions;

(c) a defined term, and any derivative thereof, has its defined meaning throughout this Conveyance, regardless of whether it appears before or after the place where it is defined;

(d) unless the context requires otherwise, references to an "Exhibit" refer to an exhibit attached to this Conveyance, each of which is made a part of this Conveyance and incorporated in this Conveyance for all purposes;

(e) if there is any conflict or inconsistency between the main body of this Conveyance and any Exhibit, the provisions of the main body of this Conveyance shall prevail; and

(f) the headings and titles herein are for convenience only and shall have no significance in the interpretation hereof.

6.5 Entire Agreement. This Conveyance (together with the Farmout Agreement and the Drilling Contract) contains the entire agreement between the parties with respect to the subject matter hereof and there are no agreements, understandings, representations or warranties between the parties with respect to the subject matter hereof other than those set forth or referred to herein or contained in the Farmout Agreement or the Drilling Contract.

6.6 Amendments and Waivers. This Conveyance may not be modified, amended, rescinded, canceled, altered or supplemented, in whole or in part, except upon the execution and delivery of a written instrument executed by a duly authorized representative of each of the parties hereto. Any party hereto may, only by an instrument in writing, waive compliance by another party hereto with any term or provision of this Conveyance on the part of such other party hereto to be performed or complied with. The waiver by any party hereto of a breach of any term or provision of this Conveyance shall not be construed as a waiver of any subsequent breach.

6.7 No Partnership, etc. It is not the purpose or intention of this Conveyance to create, and this Conveyance shall never be construed as creating, any fiduciary duty, joint venture, partnership, association, trust or other similar relationship between Grantor (or any of its Affiliates) and Grantee (or any of its Affiliates).

6.8 Severability. If any term, provision or condition of this Conveyance, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law, this Conveyance shall be reformed to the extent necessary to conform, in each case consistent with the intention of the parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Conveyance, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application of such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Conveyance so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

6.9 Counterparts. This Conveyance is executed in multiple originals all of which shall constitute one and the same Conveyance.

6.10 Certain References. Certain agreements, contracts and other documents are listed in **Exhibit B** and included in the definition of Permitted Encumbrances. References herein or in **Exhibit B** to Permitted Encumbrances are made solely for the purpose of protecting Grantor on Grantor's warranties and representations as to the Subject Interests, and without regard to whether or not any Permitted Encumbrance is valid, subsisting, legal or enforceable or affects the Overriding Royalty; and such references are not intended to constitute and shall not constitute

any sort of recognition or acknowledgment by any party as to the validity, legality or enforceability of the same or of any term, provision or condition thereof or the applicability thereof to the Overriding Royalty, and shall not revive or ratify the same or create any rights in any third person. No provision in this Conveyance shall be construed as an agreement or expression of intent by Grantee to acquire the Overriding Royalty subject to any unrecorded Permitted Encumbrance; provided, however, no breach of any warranty of title hereunder shall arise as the result of any claim made pursuant to any unrecorded Permitted Encumbrance.

6.11 Perpetuities. It is not the intent of Grantor or Grantee that any provision herein violate any applicable law regarding the rule against perpetuities, the suspension of the absolute power of alienation, or other rules regarding the vesting or duration of estates, and this Conveyance shall be construed as not violating such rule to the extent the same can be so construed consistent with the intent of the parties. In the event however that any provision hereof is determined to violate such rule, then such provision shall nevertheless be effective for the maximum period (but not longer than the maximum period) permitted by such rule that will result in no violation. To the extent the maximum period is permitted to be determined by reference to "lives in being," Grantor and Grantee agree that "lives in being" shall refer to the lifetime of the last to die of the lineal descendants of George Herbert Walker Bush, the forty-first President of the United States of America, who are living at the date of the earliest execution of this Conveyance by any of the parties hereto.

[Signature Page Follows]

EXECUTED in multiple originals at Houston, Texas on this 22nd day of May, 2009.

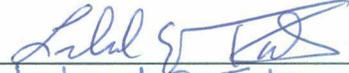
Grantor:

ATP Oil & Gas Corporation

WITNESSES:


Printed Name: TREVOR HARRISON


Printed Name: TOM R. DIXON

By 
Name: Leland E. Tate
Title: President

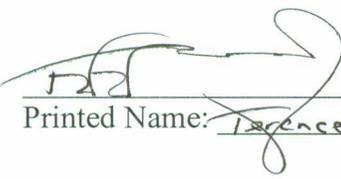
ebb

Grantee:

Diamond Offshore Company

WITNESSES:

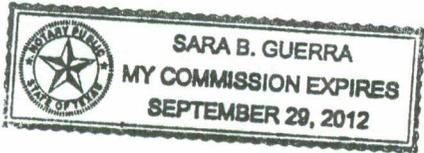

Printed Name: Darren Caillet


Printed Name: Terence W. Weldorf

By 
Name: William C. Long
Title: Senior Vice President, General
Counsel & Secretary

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this 26th day of May, 2009, personally appeared, Leland E. Tate known to me to be the person whose name is subscribed to the foregoing instrument as President of ATP Oil & Gas Corporation, a Texas corporation, and acknowledged to me that he executed the same for purposes and consideration therein expressed, and in the capacity therein stated and on behalf of and as the act and deed of said corporation.

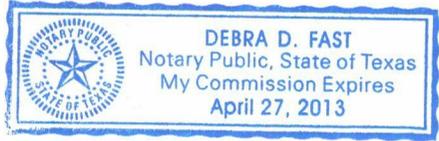


Sara B. Guerra
Notary Public

Commission Expires: 29 Sept 2012

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this 26th day of May, 2009, personally appeared William C. Long, known to me to be the person whose name is subscribed to the foregoing instrument as Senior Vice President, General Counsel & Secretary of Diamond Offshore Company, a Delaware corporation, and acknowledged to me that he executed the same for purposes and consideration therein expressed, and in the capacity therein stated and on behalf of and as the act and deed of said corporation.



Debra D. Fast
Notary Public

Commission Expires: 27 Apr 2013

EXHIBIT A

**ATTACHED TO AND MADE A PART OF THAT CERTAIN
CONVEYANCE OF OVERRIDING ROYALTY INTEREST
FROM ATP OIL & GAS CORPORATION TO
DIAMOND OFFSHORE COMPANY**

LEASES; SUBJECT INTERESTS; LEASE BURDENS

ATWATER BLOCK 63

The Lease:

Oil and Gas Lease of Submerged Lands under the Outer Continental Shelf Lands Act dated effective May 1, 1991, bearing Serial No. OCS-G 13198, between the United States of America, as Lessor, and Texaco Exploration and Production Inc., as Lessee, covering all of Block 63, Atwater Valley, OCS Official Protraction Diagram, NG 16-1, containing approximately 5,760.00 acres.

Record Title Interest:

An undivided one hundred percent (100%) interest in and to the Record Title in the Lease.

Farmor's Working Interest: 100.00000%+

+3% of the record title interest is held by three entities, each holding a 1% record title interest, which is (i) a carried interest for purposes of costs and expenses of every kind normally paid by a Working Interest owner, (ii) a non-voting interest for purposes of any and all projects and operations, and (iii) a non-revenue, no benefit interest (i.e., not entitled to any of the revenues and benefits associated with their respective 1% record title interest).

Farmor's NRI: Varies, see table below.

Initial Production	Escalation Unocal (Chevron) ORRI and Project Payout (NPI begins)
81.00000%*	77.50000%**

*100% - 12.50000% (Royalty) - 6.50000% (ORRIs) = 81.00000%

**100% - 12.50000% (Royalty) - 8.00000% (ORRIs) - 2% (NPI) = 77.50000%

GREEN CANYON BLOCK 299

The Lease:

Oil and Gas Lease bearing Serial No. OCS-G 15571, dated effective as of July 1, 1995, granted by the United States of America, as Lessor, in favor of Enserch Exploration, Inc., as Lessee, covering all Block 299, Green Canyon, OCS Official Protraction Diagram, NG 15-3.

Operating Rights Interest:

Farmor holds an undivided 55.31250% interest in and to the Operating Rights in the Lease INSO FAR AND ONLY INSO FAR as the Lease covers all depths from the surface down to and including 17,440' Total Vertical Depth Subsea (TVDSS).

Farmor's Working Interest: 55.31250%

Farmor's NRI: 41.20781%

100% (Working Interest) - 6.91406% (royalty) – 7.19063 (Overriding Royalties)

GREEN CANYON BLOCK 300 (WEST HALF)

The Lease:

Oil and Gas Lease bearing Serial No. OCS-G 22939, dated effective as of July 1, 2001, granted by the United States of America, as Lessor, in favor of Murphy Exploration & Production Company, as Lessee, covering all Block 300, Green Canyon, OCS Official Protraction Diagram, NG 15-3.

Operating Rights Interest:

Farmor holds an undivided 55.31250% interest in and to the Operating Rights in the Lease INSO FAR AND ONLY INSO FAR as the Lease covers the West Half (W1/2) of Block 300, Green Canyon, as to all depths from the from the surface down to and including the stratigraphic equivalent of 17,440' Total Vertical Depth Subsea (TVDSS) as seen in the Schlumberger Gamma Ray Log for the Pioneer Natural Resources USA, Inc. OCS-G 15571 Well No. 1 (API No. 608114045000).

Farmor's Working Interest: 55.31250%

Farmor's NRI: 41.20781%

100% (Working Interest) - 6.91406% (royalty) – 7.19063 (Overriding Royalties)

MISSISSIPPI CANYON BLOCK 941

The Lease:

Oil and Gas Lease of Submerged Lands under the Outer Continental Shelf Lands Act dated effective September 1, 1996, bearing Serial No. OCS-G 16661, between the United States of America, as Lessor, and Vastar Resources, Inc., as Lessee, covering all of Block 941, Mississippi Canyon, as shown on OCS Official Protraction Diagram, NH 16-10, containing approximately 5,760.00 acres.

Operating Rights Interest:

Farmor holds an undivided one hundred percent (100%) interest in and to the Operating Rights in the Lease INsofar AND ONLY INsofar as the Lease covers depths from the surface of the water down to eighteen thousand feet (18,000') subsea.

Farmor's Working Interest: 100%

Farmor's NRI: 87.50000%

100% (Working Interest) - 12.50000% (royalty)

MISSISSIPPI CANYON BLOCK 942

The Lease:

Oil and Gas Lease of Submerged Lands under the Outer Continental Shelf Lands Act dated effective June 1, 2002, bearing Serial No. OCS-G 24130, between the United States of America, as Lessor, and BP Exploration & Production Inc., as Lessee, covering all of Block 942, Mississippi Canyon, as shown on OCS Official Protraction Diagram, NH 16-10, containing approximately 5,760.00 acres.

Operating Rights Interest:

Farmor holds an undivided one hundred percent (100%) interest in and to the Operating Rights in the Lease INsofar AND ONLY INsofar as the Lease covers depths from the surface of the water down to eighteen thousand feet (18,000') subsea.

Farmor's Working Interest: 100%

Farmor's NRI: 87.50000%

100% (Working Interest) - 12.50000% (royalty)

EXHIBIT B

ATTACHED TO AND MADE A PART OF THAT CERTAIN CONVEYANCE OF OVERRIDING ROYALTY INTEREST FROM ATP OIL & GAS CORPORATION TO DIAMOND OFFSHORE COMPANY

WORKING INTEREST UNITS; CONTRACTS AND AGREEMENTS

A. Working Interest Units.

Grantor is required or permitted to form working interest units or similar contractual units affecting those, and only those, Leases covering Green Canyon Area, Block 299, and the West half of Green Canyon Area, Block 300, pursuant to the agreements described below, which units are not expected to be submitted to the MMS for approval:

1. Farmout Agreement dated effective as of January 15, 2005, by and between Mobil Oil Exploration & Producing Southeast Inc. and Shell Gulf of Mexico, Inc., as Farmors, and Pioneer Natural Resources USA Inc., Davis Offshore, L.P., and Stephens Production Company, LLC, as Farmees, covering OCS-G15571, Green Canyon Area, all of Block 299, Offshore Gulf of Mexico.

2. Farmout Agreement dated effective as of January 15, 2005, by and between Murphy Exploration & Production Company-USA, as Farmor, and Pioneer Natural Resources USA, Inc., Davis Offshore, L.P., and Stephens Production Company, LLC, as Farmee, covering OCS-G 22939, West Half (W/2) of Green Canyon Area, Block 300, Offshore Gulf of Mexico.

B. Contracts and Agreements.

The Subject Interests are subject to the following contracts and agreements:

1. Green Canyon 299 Agreements:

- a. Purchase and Sale Agreement, effective May 30, 2008, between Davis Offshore, L.P. and Stephens Production Company, LLC, as Sellers, and ATP Oil & Gas Corporation, as Buyer.
- b. Area of Mutual Interest Agreement dated effective November 1, 2005, between Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC, which (a) terminates on 10/31/08 and (b) covers GC 299 (below 17,440 TVDSS), E/2 GC 300, W/2 GC 300 (below 17,440 TVDSS), GC 301, GC 344, and GC 345.
- c. Amendment and Ratification of Area of Mutual Interest Agreement, effective May 30, 2008, between Davis Offshore, L.P., Stephens Production Company, LLC, and ATP Oil & Gas Corporation, which extended the term of the Area of Mutual Interest Agreement until October 31, 2011.
- d. Offshore Operating Agreement dated effective September 17, 2004, between Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC.

- e. Amendment, Waiver and Ratification of Offshore Operating Agreement, effective May 30, 2008, between Davis Offshore, L.P., Stephens Production Company, LLC, and ATP Oil & Gas Corporation, which amended the General Matter Vote provision in 8.2.2 of the OOA.
- f. Production Handling Agreement and Operating Services Agreement dated effective December 19, 2007, between Murphy, Eni Petroleum US LLC, and Statoil Gulf of Mexico, successor in interest to Hydro Gulf of Mexico, L.L.C., (as “Property Owners”) and Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC.
- g. Participation Agreement dated effective September 17, 2004, between Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC, as amended by Amendment dated January 28, 2005, and as amended by Third Amendment dated effective September 17, 2004.
- h. Farmout Agreement effective January 15, 2005, between Mobil Oil Exploration & Producing Southeast Inc. and Shell Gulf of Mexico Inc. (as “Farmors”) and Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC (as “Farmees”).

2. West Half of Green Canyon 300 Agreements:

- a. Purchase and Sale Agreement, effective May 30, 2008, by and between Davis Offshore, L.P. and Stephens Production Company, LLC, as Sellers, and ATP Oil & Gas Corporation, as Buyer.
- b. Area of Mutual Interest Agreement dated effective November 1, 2005, by and between Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC, which (a) terminates on 10/31/08 and (b) covers GC 299 (below 17,440 TVDSS), E/2 GC 300, W/2 GC 300 (below 17,440 TVDSS), GC 301, GC 344, and GC 345.
- c. Amendment and Ratification of Area of Mutual Interest Agreement, effective May 30, 2008, by and between Davis Offshore, L.P., Stephens Production Company, LLC, and ATP Oil & Gas Corporation, which extended the term of the Area of Mutual Interest Agreement until October 31, 2011.
- d. Offshore Operating Agreement dated effective September 17, 2004, by and between Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC.
- e. Amendment, Waiver and Ratification of Offshore Operating Agreement, effective May 30, 2008, by and between Davis Offshore, L.P., Stephens Production Company, LLC, and ATP Oil & Gas Corporation, which amended the General Matter Vote provision in 8.2.2 of the OOA.
- f. Production Handling Agreement and Operating Services Agreement dated effective December 19, 2007, by and between Murphy, Eni Petroleum US LLC, and Statoil Gulf of Mexico, successor in interest to Hydro Gulf of Mexico, L.L.C., (as “Property Owners”) and Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC.

- g. Participation Agreement dated effective September 17, 2004, by and between Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC, as amended by Amendment dated January 28, 2005, and as amended by Third Amendment dated effective September 17, 2004.
- h. Farmout Agreement effective January 15, 2005, by and between Murphy Exploration & Producing Company - USA (as "Farmor") and Pioneer Natural Resources USA, Inc., Davis Offshore, L.P. and Stephens Production Company, LLC (as "Farmees"), which covers the W/2 of GC 300.

3. Atwater Valley Block 63 Agreements:

- a. Asset Purchase Agreement, effective July 24, 2006, by and between Energy Resource Technology, Inc. ("Seller") and ATP Oil & Gas Corporation ("Buyer").
- b. Purchase and Sale Agreement dated March 3, 2005, by and between Union Oil Company of California ("Seller") and Energy Resource Technology, Inc. ("Purchaser").
- c. Purchase and Sale Agreement dated January 26, 2005, by and between BHP Billiton Petroleum (Deepwater) Inc. ("Seller") and Norsk Hydro USA Oil & Gas, Inc. and Norsk Hydro E&P Americas, AS, Inc. ("Buyer").
- d. Purchase and Sale Agreement dated December 28, 2004, by and between Eni Petroleum Exploration Co. Inc. ("Seller") and Norsk Hydro USA Oil & Gas, Inc. and Norsk Hydro E&P Americas, AS, Inc. ("Buyer").
- e. Purchase and Sale Agreement dated October 28, 2004, by and between Chevron U.S.A. Inc. ("Seller") & Norsk Hydro USA Oil & Gas, Inc. & Norsk Hydro E&P Americas, Inc. ("Buyer").
- f. Agreement for Exchange of Leases dated effective February 4, 2003, between BHP Billiton Petroleum (Deepwater) Inc. and AGIP Petroleum Exploration Co. Inc., only insofar as said agreement affects Atwater Valley Block 63.
- g. Farmout Letter Agreement dated January 28, 2003 but made effective January 31, 2003, by and between Chevron U.S.A. Inc. and Union Oil Company of California.
- h. Well Participation Agreement dated February 21, 2001, by and between Texaco Exploration and Production Inc. and AGIP Petroleum Exploration Co. Inc.
- i. Unit Operating Agreement dated effective January 1, 2001, by and between Texaco Exploration and Production Inc. and AGIP Petroleum Exploration Co. Inc., as amended.
- j. Net Profits Interest Letter dated December 1, 1999, executed by Robert Estill, General Manager of Four Star Oil & Gas Company creating that certain Net Profits Interest in favor of Four Star Oil & Gas Company.
- k. Farmout Letter Agreement dated December 8, 1999, by and between Texaco Exploration and Production Inc. and AGIP Petroleum Exploration Co. Inc., as amended.

4. Mississippi Canyon Block 941 Agreements:

- a. Asset Purchase Agreement, effective May 17, 2006, by and between Hydro Gulf of Mexico, L. L. C. (“Seller”) and ATP (“Buyer”).
- b. Asset Purchase Agreement, effective July 24, 2006, by and between Energy Resource Technology, Inc. (“Seller”) and ATP Oil & Gas Corporation (“Buyer”).

5. Mississippi Canyon Block 942 Agreements:

- a. Asset Purchase Agreement, effective May 17, 2006, by and between Hydro Gulf of Mexico, L. L. C. (“Seller”) and ATP (“Buyer”).

EXHIBIT C

ATTACHED TO AND MADE A PART OF THAT CERTAIN CONVEYANCE OF OVERRIDING ROYALTY INTEREST FROM ATP OIL & GAS CORPORATION TO DIAMOND OFFSHORE COMPANY

ACCOUNTING PROCEDURE OFFSHORE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the Agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the joint Operations.

"Non-Operators" shall mean the **working interest owners of the Leases other than the Operator.**

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

"Shore Base Facilities" shall mean onshore support facilities that during drilling, development, maintenance and producing operations provide such services to the Joint Property as receiving and transshipment point for supplies, materials and equipment; debarkation point for drilling and production personnel and services: communication, scheduling and dispatching center; other associated functions benefiting the joint Property.

"Offshore Facilities" shall mean platforms and support systems such as oil and gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping, heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of offshore operations.

2. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements that identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at JPMorgan Chase & Co., formerly Chase Manhattan Bank on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws of the jurisdiction in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof, provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it

is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

Audits

- A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year, provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Whether there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.
6. **Approval by Non-Operators**
Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**
Lease rentals and royalties paid by Operator for the Joint Operations.
2. **Labor**
 - A. (1) Salaries and wages of Operator's field employees directly employed in the Joint Property in the conduct of Joint Operations.
 - (2) Salaries and wages of Operator's employees directly employed on Shore Base Facilities or other Offshore Facilities serving the joint Property if such costs are not charged under Paragraph 7 of this Section 11.
 - (3) Salaries of First Level Supervisors in the field.
 - (4) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
 - (5) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.
 - B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph-2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
 - C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
 - D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.
3. **Employee Benefits**
Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.
4. **Material**
Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.
5. **Transportation**
Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:
 - A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.
 - B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the

Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraphs i and ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel directly engaged in the operation of the Joint Property shall be charged to the Joint Account if such charges are excluded from the overhead rates.

7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including Shore Base and/or Offshore Facilities, at rates commensurate with costs of ownership and operation. Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on gross investment less accumulated depreciation not to exceed ten percent (10%) per annum. In addition, for platforms only, the rate may include an element of the estimated cost of platform dismantlement. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less twenty percent (20%). For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other causes, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation tax claims, discharging of liens, payments of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the Agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted at offshore locations in which Operator may act as self-insurer for Workers' Compensation and Employers' Liability, Operator may include the risk under its self-insurance program in providing coverage under State and Federal laws and charge the Joint Account at Operator's cost not to exceed manual rates.

12. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems including radio and microwave facilities between the Joint Property and the Operator's nearest Shore Base Facility. In the event communication facilities systems serving the Joint Property are Operator-owned, charges to the Joint Account shall be made as provided in Paragraph 7 of this Section II.

13. Ecological and Environmental

Costs incurred on the Joint Property as a result of statutory regulations for archaeological and geophysical surveys relative to identification and protection of cultural resources and/or other environmental or ecological surveys as may be required by the Bureau of Land Management or other regulatory authority. Also, costs to provide or have available pollution containment and removal equipment plus costs of actual control and cleanup and resulting responsibilities of oil spills as required by applicable laws and regulations.

14. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge the Joint Account in accordance with this Section III.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic; accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- i. Except as otherwise provided in Paragraph 2 of this Section III, the salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:
() shall be covered by the overhead rates.
(X) shall not be covered by the overhead rates.
- ii. Except as otherwise provided in Paragraph 2 of this Section III, the salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:
() shall be covered by the overhead rates.
(X) shall not be covered by the overhead rates.

1. Overhead - Drilling and Producing Operations

As compensation for overhead incurred in connection with drilling and producing operations, Operator shall charge on either:

- (X) Fixed Rate Basis, Paragraph IA, or
() Percentage Basis, Paragraph IB

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:
Drilling Well Rate \$ N/A
Producing Well Rate \$ 5,599
- (2) Application of Overhead - Fixed Rate Basis for Drilling Well Rate shall be as follows:
 - (a) Charges for drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive calendar days.
 - (b) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.
- (3) Application of Overhead - Fixed Rate Basis for Producing Well Rate shall be as follows:
 - (a) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - (b) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - (c) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - (d) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
 - (e) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (4) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

- (1) Operator shall charge the Joint Account at the following rates:
 - (a) Development
_____ Percent (%) of cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.
 - (b) Operating
_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under

Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) **Application of Overhead - Percentage Basis** shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, or deepening of any or all wells, and shall also include any remedial operations requiring a period of five (5) consecutive work days or more on any or all wells; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating except that catastrophe costs shall be assessed overhead as provided in Section III, Paragraph 3.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantling for abandonment of platforms and related production facilities, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$10,000,000.

- A. If the Operator absorbs the engineering, design and drafting costs related to the project:
- (1) 5% of total costs if such costs are more than \$50,000 but less than \$100,000; plus
 - (2) 3% of total costs in excess of \$100,000 but less than \$1,000,000; plus
 - (3) 2% of total costs in excess of \$1,000,000.
- B. If the Operator charges engineering, design and drafting costs related to the project directly to the Joint Account:
- (1) 3% of total costs if such costs are more than \$50,000 but less than \$100,000; plus
 - (2) 2% of total costs in excess of \$100,000 but less than \$1,000,000; plus
 - (3) 1% of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

On each project, Operator shall advise Non-Operator(s) in advance which of the above options shall apply. In the event of any conflict between the provisions of this paragraph and those provisions under Section II, Paragraph 2 or Paragraph 6, the provisions of this paragraph shall govern.

3. Overhead — Catastrophe

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- (1) 3% of total costs through \$100,000; plus
- (2) 2% of total costs in excess of \$100,000 but less than \$1,000,000; plus
- (3) 1% of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The Overhead rates provided this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. **New Material (Condition A)**

(1) **Tubular Goods Other than Line Pipe**

- (a) Tubular goods, sized 2-3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill published catalog base prices effective as of date of movement plus transportation cost using the

80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Youngstown, Ohio.

- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A (1)(a). For transportation cost from points other than Eastern mills the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2-3/8 inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving joint nearest the Joint Property.

(2) Line Pipe

- (a) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A (1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (b) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A. (1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (c) Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
 - (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material shall be priced at the current new price in effect at date of movement, as listed by a reliable supply store nearest the Joint Property or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
- (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2 A (1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Joint Property
At seventy five percent (75%) of current new price, as determined by Paragraph A.
- (2) Material used on and moved from the Joint Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the joint Account as new Material or
 - (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.
- (3) Material not used on and moved from the Joint Property
At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

- (1) Condition C
Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.
- (2) Condition D
Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.
 - (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
 - (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non-upset basis.
- (3) Condition E
Junk shall be priced at prevailing prices. Operator may dispose of Condition E material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

F. Pricing Conditions

- (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1A(4). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
 - (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.
3. **Premium Prices**

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.
 4. **Warranty of Material Furnished by Operator**

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. **Periodic Inventories, Notice and Representation**

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.
2. **Reconciliation and Adjustment of Inventories**

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.
3. **Special Inventories**

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.
4. **Expense of Conducting Inventories**
 - A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
 - B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.