

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

In re: ENERGY XXI LTD, <i>et al.</i>, Debtors.¹	§ § § § § §	Case No. 16-31928 (Chapter 11) Jointly Administered
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**THE DEBTORS' EMERGENCY MOTION FOR
ENTRY OF AN ORDER AUTHORIZING THE DEBTORS TO
ENTER INTO AN AGREEMENT WITH BLACK ELK ENERGY
OFFSHORE OPERATIONS, LLC AND CERTAIN OTHER PARTIES**

THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE IN THE UNITED STATES WITHIN 21 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.

EMERGENCY RELIEF HAS BEEN REQUESTED. IF THE COURT CONSIDERS THE MOTION ON AN EMERGENCY BASIS, THEN YOU WILL HAVE LESS THAN 21 DAYS TO ANSWER. IF YOU OBJECT TO THE REQUESTED RELIEF OR IF YOU BELIEVE THAT THE EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU SHOULD FILE AN IMMEDIATE RESPONSE.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY.

¹ The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers are: Anglo-Suisse Offshore Pipeline Partners, LLC (9562), Delaware EPL of Texas, LLC (9562), Energy Partners Ltd., LLC (9562), Energy XXI GOM, LLC (0027), Energy XXI Gulf Coast, Inc. (8595), Energy XXI Holdings, Inc. (1638), Energy XXI, Inc. (2108), Energy XXI Leasehold, LLC (8121), Energy XXI Ltd (9286), Energy XXI Natural Gas Holdings, Inc. (7517), Energy XXI Offshore Services, Inc. (4711), Energy XXI Onshore, LLC (0308), Energy XXI Pipeline, LLC (5863), Energy XXI Pipeline II, LLC (8238), Energy XXI Services, LLC (3999), Energy XXI Texas Onshore, LLC (0294), Energy XXI USA, Inc. (8552), EPL of Louisiana, L.L.C. (9562), EPL Oil & Gas, Inc. (9562), EPL Pioneer Houston, Inc. (9749), EPL Pipeline, L.L.C. (1048), M21K, LLC (3978), MS Onshore, LLC (8573), Natural Gas Acquisition Company I, LLC (0956), Nighthawk, L.L.C. (9562), and Soileau Catering, LLC (2767). The location of the Debtors' U.S. corporate headquarters and the Debtors' service address is: 1021 Main Street, Suite 2626, Houston, Texas 77002.

The above-captioned debtors and debtors in possession (collectively, the “**Debtors**”), file the *Debtors’ Emergency Motion for Entry of an Order Authorizing the Debtors to Enter into an Agreement with Black Elk Energy Offshore Operations, LLC and Certain Other Parties* (the “**Motion**”) and in support respectfully submit the following:

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the Southern District of Texas (the “**Court**”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A).

2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory bases for the relief requested herein are sections 105(a) and 363(b) of title 11 of the United States Code (the “**Bankruptcy Code**”) and rules 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”).

EMERGENCY CONSIDERATION

4. The Debtors request emergency consideration of this Motion. As discussed in detail below, any delay in granting the relief requested could hinder the Debtors’ decommissioning obligations and cause immediate and irreparable harm. As such, the Debtors submit that emergency consideration is necessary and request that this Motion be heard by June 3, 2016.

BACKGROUND

5. Formed in 2005, Energy XXI Ltd (“**Energy XXI**”), an exempted company under the laws of Bermuda, is a publicly-traded, independent oil and natural gas production company. Energy XXI and the other Debtors, all of which are wholly-owned domestic subsidiaries of Energy XXI, are engaged in the acquisition, exploration, development, and operation of oil and

natural gas properties primarily offshore on the Gulf of Mexico Shelf (the “**GoM Shelf**”), as well as onshore in Louisiana and Texas. Based on production volume, the Debtors are the largest publicly-traded, independent operator on the GoM Shelf.

6. On April 14, 2016 (the “**Petition Date**”), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. As of the date hereof, no request for the appointment of a trustee or examiner has been made. On April 26, 2016, the United States Trustee for the Southern District of Texas (the “**U.S. Trustee**”) appointed an official committee of unsecured creditors [Docket No. 142] (the “**Committee**”).²

RELIEF REQUESTED

7. While the Debtors believe that entry into the Agreement (as defined below) to pay for certain plugging and abandonment obligations is an ordinary course of business transaction, in an abundance of caution, the Debtors seek entry of an order (the “**Order**”), substantially in the form attached hereto as **Exhibit A**, authorizing the Debtors to enter into the Agreement, a copy of which is attached to the Order as **Exhibit 1**.

² Additional information regarding the Debtors and these chapter 11 cases, including the Debtors’ business operations, capital structure, financial condition, and the reasons for and objectives of these chapter 11 cases, is set forth in the *Declaration of Bruce W. Busmire in Support of Chapter 11 Petitions and First Day Pleadings* [Docket No. 30].

THE AGREEMENT

A. Overview of the Agreement

8. Energy XXI GOM, LLC (“**GOM**”) seeks to enter into that certain *First Amendment to Amended and Restated Turnkey Service Agreement* (the “**Agreement**”)³ by and among Black Elk Energy Offshore Operations, LLC (“**Black Elk**”), Montco Oilfield Contractors, LLC (“**Montco**”), W&T Offshore, Inc. (“**W&T**”), McMoRan Oil & Gas LLC (“**McMoRan**”), Argonaut Insurance Company (“**Argonaut**”), and Westchester Fire Insurance Company (“**Westchester**” and, together with the Debtors, Black Elk, Montco, W&T, McMoRan, and Argonaut, the “**Parties**”). The Agreement serves to, *inter alia*, outline the responsibilities of the Parties with respect to the plugging and abandonment of certain offshore platforms, pipelines, and wells associated with the Vermilion 119 and Vermilion 124 leases (collectively, the “**Vermilion Leases**”) where Black Elk is the operator and in which GOM and Black Elk each own an undivided 50% interest.

9. As set forth in the *Second Amended Disclosure Statement, Pursuant to 11 U.S.C. § 1125, for Chapter 11 Plan of Liquidation of Black Elk Energy Offshore Operations LLC* [Docket No. 828, Case No. 15-34287], Black Elk has proposed to abandon its interest in a number of offshore leases, including the Vermilion Leases. In response to Black Elk’s proposed abandonment of the Vermilion Leases, the Bureau of Safety and Environmental Enforcement (“**BSEE**”) issued an order (the “**BSEE Order**”) to various entities, including GOM, requiring GOM (and certain of the other Parties) to, within 15 days of receipt of the BSEE Order, contact BSEE and confirm GOM will “immediately undertake maintenance and monitoring of the facilities and wells on [Vermilion 124] pending completion of decommissioning . . .” and submit

³ Capitalized terms used but not otherwise defined herein are used as defined in the Agreement. In the event of any conflict between the terms of this Motion and the Agreement, the terms of the Agreement shall control.

a “decommissioning plan and schedule to BSEE” *See* BSEE Order at 2. A true and correct copy of the BSEE Order issued to GOM is attached hereto as **Exhibit B**.

10. Absent prompt commencement of decommissioning work on the Vermilion Leases,⁴ the BSEE Order will remain unaddressed and (a) may create compliance costs far greater than the estimated decommissioning costs sought to be paid pursuant to the Agreement and (b) could lead to additional and increased administrative claims against the Debtors’ estates.

11. The Vermilion Leases are proximate to certain properties Montco is currently decommissioning, and thus, certain efficiencies can be gained by decommissioning the properties together. However, Montco recently informed GOM that it will be demobilizing from the area soon and will not likely return this season without considerable mobilization charges *unless* the plugging and abandonment work contemplated by the Agreement is approved and committed to be funded by the respective Parties on an immediate basis.

12. In summary, the Agreement will allow GOM to fulfill its plugging and abandonment obligations in a timely and cost-effective manner, consistent with the BSEE Order, and limit GOM’s exposure, thereby minimizing administrative expenses and maximizing recoveries for the Debtors’ stakeholders.

B. The Material Terms of the Agreement

13. The material terms of the Agreement with respect to GOM’s obligations thereunder are as follows:

- Upon completion of the plugging and abandonment of the Vermilion Leases and upon completion of the BSEE Site Clearance Certificate verifying completion of all Services for the Vermilion Leases, and acceptance and approval thereof by BSEE, (a) Westchester shall pay Montco \$7,545,000 from Westchester Bond Nos. KO8977847 and KO8977884 and (b) simultaneously with such payment to

⁴ In order to decommission Vermilion 124, it is necessary to include Vermilion 119 due to the interconnection of various facilities.

Montco by Westchester, GOM shall pay Montco \$3,303,250. Agreement § 1.2.5(b).

- Except as set forth in Section 1.2.5 of the Agreement, GOM does not assume any additional liability or obligation under the Agreement. Agreement § 1.2.5(c).

14. The payment by Westchester will be made from funds in an escrow account (the “*Escrow Account*”) with Wells Fargo Bank, N.A. The Debtors placed \$7,545,000 in the Escrow Account on April 13, 2016, prior to the Petition Date, pursuant to that certain *Escrow Agreement* entered into by and among GOM, Westchester, and Marcum LLP (as escrow agent) (the “*Escrow Agreement*”). Pursuant to the Escrow Agreement, the funds in the Escrow Account are to be used solely to fund the plugging and abandonment of the Vermilion Leases.

15. For the avoidance of doubt, the amounts to be paid by GOM and Westchester are solely related to GOM’s interests in the Vermillion Leases. As set forth in the *Amended Joint Emergency Motion of W&T Offshore Inc., McMoran Oil & Gas LLC, Montco Oilfield Contractors, LLC and Black Elk Energy Offshore Operations, LLC to Authorize Plugging and Abandonment for West Cameron 178, Vermilion 119, and Vermilion 124* [Docket No. 914, Case No. 15-34287], Black Elk is bearing the cost of its proportionate share of decommissioning costs through payment by its surety bond issuers and through funds provided per the Agreement from the W&T Non-Operated Escrow Account.

BASIS FOR RELIEF

16. Black Elk, as an operator, has a regulatory obligation to perform decommissioning activity. *See, e.g.*, C.F.R. § 250.1701(a) & (b). When facilities are no longer useful for operations, they must be decommissioned under certain conditions. 30 C.F.R. § 250.1703. Decommissioning includes permanently plugging wells, removing platforms and other facilities, decommissioning pipelines, and clearing the seafloor of obstructions. *Id.*

Additionally, wells on a lease must be permanently plugged within one year after the lease terminated. 30 C.F.R. § 250.1710.

17. If the foregoing decommissioning requirements are not followed, BSEE may issue and serve a notice of noncompliance identifying violations. 30 C.F.R. § 250.1451. If identified violations are not timely corrected, BSEE may levy penalties of as much as \$5,000 per violation per day beginning with the date of the notice of noncompliance. 30 C.F.R. § 250.1453. As noted above, Black Elk has announced its intention to abandon the Vermilion Leases and, as a result of such announcement, BSEE has issued the BSEE Order to GOM directing GOM to complete Black Elk's plugging and abandonment obligations with respect to the Vermilion Leases.

18. While the Debtors believe it is an ordinary course business practice to enter into agreements governing plugging and abandonment obligations, in an abundance of caution, the Debtors request the Court enter the Order, substantially in the form attached hereto as **Exhibit A**, authorizing GOM to enter into the Agreement to fund and complete, through Montco and Westchester, the decommissioning of the Vermilion Leases.

19. Failure to approve GOM's entry into the Agreement (a) could delay decommissioning for potentially another year, with accompanying health, safety, and environmental risks and (b) will likely result in increased costs associated with mobilization and the decommissioning work, to the detriment of the Debtors' estates and creditors.

WAIVER OF BANKRUPTCY RULE 6004(a) AND (h)

20. To implement the foregoing successfully, the Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the 14-day stay of an order authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h).

NOTICE

21. Notice of this Motion has been provided by delivery to: (a) the Office of the U.S. Trustee; (b) the First Lien Agent; (c) counsel to the First Lien Agent; (d) the indenture trustee under the Debtors' Second Lien Notes; (e) counsel to the ad hoc committee of Second Lien Noteholders; (f) proposed counsel to the Committee; (g) the indenture trustee under the Debtors' EGC Unsecured Notes; (h) the indenture trustee under the Debtors' EPL Unsecured Notes; (i) the indenture trustee under the Convertible Notes; (j) proposed counsel to the Committee; (k) those persons who have formally appeared in these chapter 11 cases and requested service pursuant to Bankruptcy Rule 2002; (l) the United States Securities and Exchange Commission; (m) the Internal Revenue Service; and (n) all other applicable government agencies to the extent required by the Bankruptcy Rules or the Local Rules. In light of the nature of the relief requested in this Motion, the Debtors submit that no further notice is necessary.

NO PRIOR REQUEST

22. No prior motion for the relief requested herein has been made to this Court or any other court.

PRAYER

The Debtors respectfully request that the Court enter the Order, substantially in the form attached hereto as **Exhibit A**, and grant such other and further relief to which the Debtors may be justly entitled.

Dated: May 27, 2016
Houston, Texas

VINSON & ELKINS LLP

By: /s/ Reese A. O'Connor
Harry A. Perrin (TX 15796800)
Bradley R. Foxman (TX 24065243)
Reese A. O'Connor (TX 24092910)
First City Tower
1001 Fannin Street, Suite 2500
Houston, TX 77002-6760
Tel: 713.758.2222
Fax: 713.758.2346
hperrin@velaw.com; bfoxman@velaw.com;
roconnor@velaw.com

- and -

Paul E. Heath (TX 09355050)
Trammell Crow Center
2001 Ross Avenue, Suite 3700
Dallas, TX 75201
Tel: 214.220.7700
Fax: 214.999.7787
pheath@velaw.com

- and -

David S. Meyer (admitted *pro hac vice*)
Jessica C. Peet (admitted *pro hac vice*)
Lauren R. Kanzer (admitted *pro hac vice*)
666 Fifth Avenue, 26th Floor
New York, NY 10103-0040
Tel: 212.237.0000
Fax: 212.237.0100
dmeyer@velaw.com; jpeet@velaw.com;
lkanzer@velaw.com

ATTORNEYS FOR THE DEBTORS

CERTIFICATE OF SERVICE

I certify that on May 27, 2016, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Reese A. O'Connor

One of Counsel

EXHIBIT A

Proposed Order

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

In re:	§	Case No. 16-31928
	§	
ENERGY XXI, LTD, <i>et al.</i>,	§	(Chapter 11)
	§	
Debtors.¹	§	Jointly Administered
	§	Related to Docket No. ____

**ORDER AUTHORIZING THE DEBTORS TO ENTER
INTO THE AGREEMENT WITH BLACK ELK ENERGY
OFFSHORE OPERATIONS, LLC AND CERTAIN OTHER PARTIES**

Upon the Motion² filed by the above-referenced debtors and debtors in possession (collectively, the “*Debtors*”) for entry of an order (the “*Order*”) (a) authorizing the Debtors to enter into the Agreement, all as more fully set forth in the Motion; and the Court having jurisdiction over the matters raised in the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and the Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and that the Court may enter a final order consistent with Article III of the United States Constitution; and the Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having found that the relief requested in the Motion is in the best interests of the Debtors and their respective estates, creditors, and equity

¹ The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers are: Anglo-Suisse Offshore Pipeline Partners, LLC (9562), Delaware EPL of Texas, LLC (9562), Energy Partners Ltd., LLC (9562), Energy XXI GOM, LLC (0027), Energy XXI Gulf Coast, Inc. (8595), Energy XXI Holdings, Inc. (1638), Energy XXI, Inc. (2108), Energy XXI Leasehold, LLC (8121), Energy XXI Ltd (9286), Energy XXI Natural Gas Holdings, Inc. (7517), Energy XXI Offshore Services, Inc. (4711), Energy XXI Onshore, LLC (0308), Energy XXI Pipeline, LLC (5863), Energy XXI Pipeline II, LLC (8238), Energy XXI Services, LLC (3999), Energy XXI Texas Onshore, LLC (0294), Energy XXI USA, Inc. (8552), EPL of Louisiana, L.L.C. (9562), EPL Oil & Gas, Inc. (9562), EPL Pioneer Houston, Inc. (9749), EPL Pipeline, L.L.C. (1048), M21K, LLC (3978), MS Onshore, LLC (8573), Natural Gas Acquisition Company I, LLC (0956), Nighthawk, L.L.C. (9562), and Soileau Catering, LLC (2767). The location of the Debtors’ U.S. corporate headquarters and the Debtors’ service address is: 1021 Main Street, Suite 2626, Houston, Texas 77002.

² Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Motion.

security holders; and the Court having found that proper and adequate notice of the Motion and hearing thereon has been given and that no other or further notice is necessary; and the Court having found that good and sufficient cause exists for the granting of the relief requested in the Motion after having given due deliberation upon the Motion and all of the proceedings had before the Court in connection with the Motion, it is **HEREBY ORDERED THAT:**

1. The Motion is **GRANTED** as set forth herein.

2. The Debtors are authorized to enter into the Agreement, attached hereto as **Exhibit 1.**

3. The Agreement shall be binding and enforceable against the parties thereto in accordance with its terms.

4. So long as the Agreement is in effect and has not been terminated in accordance with its terms, the Debtors are hereby authorized, directed, and empowered to take all actions, execute all documents, and make all payments that may be necessary to perform under the Agreement, and implement the relief granted in this Order.

5. The Debtors are authorized to enter into immaterial amendments to the Agreement, from time to time as necessary, subject to the terms and conditions set forth in the Agreement and without further order of the Court. Within two (2) business days of the effective date of each such amendment, the Debtors will file a notice attaching a copy of any such amendments with the Court and serve such notice on the U.S. Trustee and counsel to the Committee.

6. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

7. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained in the Motion or this Order or any payment made pursuant to this Order shall constitute, nor is it intended to constitute, an admission as to the validity or priority of any claim or lien against the Debtors, a waiver of the Debtors' rights to subsequently dispute such claim or lien, or the assumption or adoption of any executory contract or unexpired lease under section 365 of the Bankruptcy Code.

8. Nothing in this Order or the Motion shall be construed as prejudicing any rights the Debtors may have to dispute or contest the amount of, or the basis for, any claims against the Debtors in connection with or relating to the claims addressed by this Order.

9. Notice of the Motion as provided therein is good and sufficient.

10. The failure of any Party to seek relief or otherwise exercise its rights and remedies under this Order, the Agreement, or applicable law, as the case may be, shall not constitute a waiver of any of the rights hereunder, thereunder, or otherwise of any of the Parties.

11. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon entry of this Order.

12. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

13. The Court retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Order.

Dated: June ___, 2016
Houston, Texas

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

The Agreement

**FIRST AMENDMENT TO
AMENDED AND RESTATED TURNKEY SERVICE AGREEMENT**

This FIRST AMENDMENT TO AMENDED AND RESTATED TURNKEY SERVICE AGREEMENT (this “First Amendment”) is made and entered into as of May __, 2016, effective as of February 8, 2016, by and between Montco Oilfield Contractors, LLC (“Contractor” or “Montco”) and Black Elk Energy Offshore Operations, LLC (“Company”, and together with Contractor, the “Parties”, and each a “Party”). Capitalized terms used in this First Amendment but not otherwise defined herein shall have the meanings ascribed to them in the Agreement (as defined below).

RECITALS

WHEREAS, Company is a debtor and debtor in possession in that certain chapter 11 case bearing case number 15-34287 (the “Bankruptcy Case”) in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Court”);

WHEREAS, Company and Contractor entered into that certain Amended and Restated Turnkey Service Agreement, dated effective as of February 8, 2016, joined therein by Montco Offshore, Inc. as the guarantor of the Company’s obligations, liabilities and responsibilities as set forth therein (the “Agreement”), and the Court entered an order approving the Agreement on March 1, 2016 [ECF No. 682];

WHEREAS, pursuant to the Agreement, Contractor is performing, and will continue to perform, Services with respect to Jobs on behalf of Company, as more fully described on Exhibit “A” to the Agreement (the “P&A Plan”);

WHEREAS, Company operates certain additional properties, as more fully described hereafter, for which it is jointly and severally liable for outstanding P&A Obligations, and performance for such obligations are not presently covered by the Agreement (the “Additional P&A Obligations”); and

WHEREAS, the Parties wish to amend the Agreement to the extent necessary to include performance of the Additional P&A Obligations, on the same terms and conditions as set forth in the Agreement, except to the extent otherwise expressly provided for herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

Section 1. Exhibit “A” to the Agreement is hereby amended to supplement and include the additional Jobs (Numbers 19, 20 and 21) as more particularly set forth on Exhibit “A-1” to this First Amendment.

Section 2. For purposes of this First Amendment, the following shall be added as additional subsections to Section 1 of the Agreement:

1.2.4: Timing of Payments on West Cameron 178. With respect to the West Cameron 178 (“WC 178”) Job listed on Exhibit “A-1”: (a) upon completion of the Job and all Services for WC 178 and upon completion of the BSEE Site Clearance Certificate verifying completion of Services for WC 178, and acceptance and approval thereof by BSEE, W&T Offshore, Inc. (“W&T”) shall issue instructions to the escrow agent, which is holding funds in the W&T Non-Operated Escrow Account, for payment direct to Montco the amount of \$4,203,081.00; provided, however, that if W&T fails to issue such instructions within ten (10) business days, the Court may order the issuance of the instructions after notice and hearing; and (b) upon completion of the Job and all Services for WC 178 and upon and acceptance and approval thereof by BSEE, McMoRan Oil & Gas LLC (“McMoRan”) shall pay direct to Montco the amount of \$1,314,419.00. Except as expressly set forth in this Section 1.2.4, McMoRan and W&T do not assume any additional liability or obligation under this Agreement.

1.2.5: Timing of Payment for Vermilion 119/124: With respect to the Vermilion 119 and Vermilion 124 (“VR 119/124”) Job listed on Exhibit “A-1” and described in Section 1 above, the following terms regarding payment shall apply:

- (a) Payment of Black Elk’s Share: (i) Montco shall be paid by Argonaut Insurance Company (“ARGO”) the full penal sum of \$6,900,000 from ARGO bonds SUR0002567 and SUR0002569 in accordance with the terms of Section 1.2.3; (ii) upon completion of the Job and all Services for VR 119/124 and upon acceptance and approval thereof by BSEE for VR 119/124, and acceptance and approval thereof by BSEE, W&T shall issue instructions to the escrow agent, which is holding funds in the W&T Non-Operated Escrow Account, for payment direct to Montco the amount of \$3,948,250.00; provided, however, that if W&T fails to issue such instructions within ten (10) business days, the Court may order the issuance of the instructions after notice and hearing; and
- (b) Payment of Energy XXI GOM, LLC’s Share: Upon completion of the Jobs and all Services for VR 119/124 and upon completion of the BSEE Site Clearance Certificate verifying completion of all Services for VR 119/124, and acceptance and approval thereof by BSEE, (i) Montco shall be paid by Westchester Fire Insurance Company (“Westchester”) the full penal sum of \$7,545,000 from Westchester Bond Nos. KO8977847 and KO8977884 in accordance with the terms of Section 1.2.3; and simultaneous with such penal sum payment to Montco, Energy XXI GOM, LLC (“EXXI”) shall pay direct to Montco the amount of \$3,303,250.
- (c) Except as expressly set forth in this Section 1.2.5, W&T and EXXI do not assume any additional liability or obligation under this Agreement.

Section 3. After giving effect to this First Amendment, all representations and warranties made by the Parties under the Agreement are true and correct as of the date hereof.

Section 4. No default has occurred or is occurring under the Agreement, nor would a default result from entry into or performance under this First Amendment.

Section 5. To the extent necessary, the Parties hereby ratify, confirm and reaffirm their respective liabilities, and payment and performance obligations, under the Agreement.

Section 6. This First Amendment may be executed in one or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this First Amendment by facsimile, e-mail in pdf format or similar electronic transmission, shall be effective and serve as delivery of a manually signed counterpart of this First Amendment.

Section 7. Montco Offshore, Inc. joins in the execution of this First Amendment to guarantee the (a) performance by Contractor or of all of its obligations under and pursuant to the Agreement, as amended herein, and (b) liabilities and responsibilities of contract under and pursuant to the Agreement, as amended herein.

[Remainder of Page Left Blank Intentionally]

This First Amendment is executed as of the date first set forth above.

MONTCO OILFIELD CONTRACTORS, LLC

By: Carroll Price
Its: President

MONTCO OFFSHORE, INC.

By: Lee A. Orgeron
Its: President and Chief Executive Officer

**BLACK ELK ENERGY OFFSHORE
OPERATIONS, LLC**

By: _____
Its: _____

Agreed and Acknowledged By:

W&T OFFSHORE, INC.

By:
Its:

MCMORAN OIL & GAS LLC

By:
Its:

ENERGY XXI GOM, LLC

By: Ben Marchive II
Its: Vice President, Land

ARGONAUT INSURANCE COMPANY

By:
Its:

WESTCHESTER FIRE INSURANCE COMPANY

By:
Its:

EXHIBIT A-1

JOBS

1. Each individual Job requiring an individual payment upon release or cancelation of surety bonds is separately identified by a Line Item number below.
2. With respect to each of the federal offshore leases (collectively, the "Leases", and each individually a "Lease") and each of the federal offshore rights-of-way (collectively, the "ROWS", and each individually a "ROW") that are identified below, either by reference to the Lease or ROW serial number, to the area and block, or, with respect to pipelines, to the segment number, the scope of work for each Lease or ROW will include the wells, platforms, caissons and/or pipelines situated thereon, whether or not specified below for each block, Lease or ROW (the "Jobs").
3. The services to be performed by Contractor pursuant to the Agreement with respect to the Jobs shall comprise (a) with respect to wells, such activities and operations necessary to permanently plug and abandon each well, unless otherwise specified; (b) with respect to each platform or caisson, such activities and operations necessary to dismantle, decommission, abandon and remove (together with all personal property affixed thereto or located thereon); (c) with respect to each pipeline, such activities and operations necessary to abandon the pipeline or, if and only to the extent required by governmental authority, remove same; and (d) with respect to each Lease and ROW, perform such site clearance and restoration operations and activities as may be necessary whether or not specified below (collectively, the "Services").
4. The Services will be conducted for each Lease or ROW unless a Service, by express terms below, is excluded or limited, and the failure to specifically reference a Service for a particular Job will not serve to eliminate such Service from the Agreement.

[Do not detach this page.]

Black Elk Energy Offshore Operations, LLC
Exhibit A-1 – Montco Decommissioning Plan
DRAFT- SUBJECT TO FURTHER REVIEW
Subject to FRE 408

Number	Block	Legacy	Scope of Work Summery*	Service*	Gross Total	Working Interest	Net Total	Net Total per Property	Applicable Bond Numbers	Applicable Bond Reduction Amount
19	VR 119	W&T	Vermilion 119 D; Segment #3536, 7066, 9614, 10906	Pipeline abandonment, Platform prep, Conductor Removal, Platform Removal, Site Clearance	1,750,000	50%	875,000	\$ 4,462,750	SUR0002569 KO8977847	\$ 4,200,000 \$ 3,370,000
			Vermilion 119 G	Pipeline abandonment, Platform prep, Conductor Removal, Platform Removal, Site Clearance	1,600,000	50%	800,000			
			Vermilion 119 D # 1,2,3,5,6,9,10,12	Well Abandonment	2,520,000	50%	1,260,000			
			Vermilion 119 D # 4, 13	Well Abandonment	540,000	50%	270,000			
			Vermilion 119 G # 2,3,4,5,6,7,9	Well Abandonment	2,245,500	50%	1,122,750			
			Vermilion 119 G #8	Well Abandonment	270,000	50%	135,000			
20	VR 124	W&T	Vermilion 124 E; Segment #584	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	1,995,000	50%	997,500	\$ 6,385,500	SUR0002567 KO8977884	\$ 2,700,000 \$ 4,175,000
			Vermilion 124 F; Segment #18584	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	990,000	50%	495,000			
			Vermilion 124 H; Segment #7132, 7762	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	1,980,000	50%	990,000			
			Vermilion 124 I; Segment #8266, 8267	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	1,425,000	50%	712,500			
			Vermilion 124 E002, E005,	Well abandonment	1,191,000	50%	595,500			

			E016							
			Vermilion 124 F001,F002,F003,F004	Well abandonment	1,080,000	50%	540,000			
			Vermilion 124 I001,I002,I003	Well abandonment	810,000	50%	405,000			
			Vermilion 124 H001,H002,H003,H004,H005, H006,H007, H008,H011,H012 (All BH in VR 119)	Well abandonment	3,015,000	50%	1,507,500			
			Vermilion 124 E003 (BH VR 119)	Well abandonment	285,000	50%	142,500			
21	WC 178	W&T	West Cameron 178 A	Pipeline abandonment, Platform Prep, Conductor Removal, Platform Removal, Site Clearance	1,260,000	73%	925,616	\$ 4,203,081		
			West Cameron 178 A001	Well Abandonment	260,000	45%	117,917			
			West Cameron 178 A002,A003,A004	Well Abandonment	780,000	73%	573,000			
			West Cameron 178 B; Segment 8184	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	1,567,500	73%	1,151,510			
			West Cameron 178 B001	Well Abandonment	270,000	73%	198,346			
			West Cameron 178 B002	Well Abandonment	270,000	73%	198,346			
			West Cameron 178 B003	Well Abandonment	270,000	73%	198,346			
			West Cameron 178 B004	Well is Fully TA'd	-	71%	-			
			West Cameron 178 C	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	540,000	100%	540,000			
			West Cameron 178 C001	Well Abandonment	300,000	100%	300,000			
			Total							

* Notwithstanding the Scope of Work Summary or the Description of Service above, the Services as defined in Exhibit A to the Agreement under the heading “Jobs” will be conducted for each Lease affecting the OCS blocks subject to this First Amendment, without limit or restriction.

EXHIBIT B

The BSEE Order



United States Department of the Interior
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT
Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, LA 70123-2394

In Reply Refer To: GE 1078A

APR 29 2016

Mr. S.A. Elbert
Atlantic Richfield Company
501 WestLake Park Boulevard
Houston, Texas 77079

Mr. Bobby G. Slate
250 West First Street, Suite 400
Winston-Salem, North Carolina 27101

Mr. J. E. Carlton
Burlington Resources Offshore, Inc.
600 N Dairy Ashford Road
Houston, Texas 77079

Mr. Douglas Otten
CanadianOxy Offshore Production Co.
12790 Merit Drive, Suite 800 LB 94
Dallas, Texas 75251-1270

Mr. Jeff Sheets
ConocoPhillips Company
600 N Dairy Ashford Road
Houston, Texas 77079

Mr. Antonio Pinto
Energy XXI GOM, LLC
1021 Main, Suite 2626
Houston, Texas 77002

Mr. Lou Cappello
J. M. Huber Corporation
499 Thornall Street
Edison, New Jersey 08837

Mr. Roger Evans, Jr.
Race Holding Co.
2425 Fountain View, Suite 100
Houston, Texas 77057

Mr. Ray Wilcox
Texaco Exploration and Production Inc.
6001 Bollinger Canyon Road
San Ramon, California 94583

Ms. Jamie Vazquez
W & T Offshore, Inc.
Nine Greenway Plaza, Suite 300
Houston, Texas 77046

Dear Sir or Madam:

This letter is to notify all recipients that Black Elk Energy Offshore Operations, LLC has defaulted on its obligation to decommission terminated Lease OCS- 00495 Vermilion Block 124 (VR 124). As such, the Bureau of Safety and Environmental Enforcement (BSEE) now looks to you, as a lessee of VR 124 at the time the lease terminated or as a prior lessee, to perform the decommissioning and the required maintenance and monitoring of the facilities on this lease prior to decommissioning.

As a current or prior lessee of the subject lease on VR 124, you are responsible for decommissioning all wells, pipelines, platforms, and other facilities for which you have accrued decommissioning obligations under 30 CFR 250.1702. You are hereby ordered to completely

decommission all such wells, pipelines, platforms, and other facilities within one year of the date of this Order.

In addition, your decommissioning obligations include the safe and orderly winding down of all functions associated with all facilities and infrastructure for which you are responsible and the required maintenance and monitoring of the facilities, from the date of this Order until decommissioning is complete on said lease.

Finally, given the existing delay in decommissioning this lease, I order you to:

(1) Within 15 days of receipt of this Order and prior to boarding any facilities on VR 124, you must contact Mr. Mark Osterman (District Manager, Lake Charles District) at (337) 437-4605 to discuss the following:

- Confirmation that you will immediately undertake maintenance and monitoring of the facilities and wells on the lease pending completion of decommissioning;
- A plan to safely board any structure(s) on the lease;
- A plan to correct all outstanding Incidents of Noncompliance (INC) identified by the District Manager; and
- A plan to ensure that the wells are secured in accordance with the provisions of 30 CFR Part 250 that apply to shut-in wells;

(2) Within 15 days of receipt of this Order, provide written acknowledgment of receipt of this Order to the Regional Director's Office and Decommissioning Support Section, both offices located at 1201 Elmwood Park Blvd., New Orleans, Louisiana 70123;

(3) Submit your decommissioning plan and schedule to BSEE, Decommissioning Support Section, within the time prescribed in BSEE's response to your written acknowledgement of receipt; and

(4) Once BSEE approves your decommissioning plan and schedule, expeditiously submit:

- An appropriate Application for Permit to Modify (APM) to permanently abandon all wells for which you are responsible, under 30 CFR 250.1712, to the Lake Charles District, One Lakeshore Drive, Capital One Tower, Lake Charles, Louisiana 70629;
- A final application for approval to remove any platforms for which you are responsible, under 30 CFR 250.1727, to BSEE, Office of Structural and Technical Support, 1201 Elmwood Park Blvd., New Orleans, Louisiana 70123; and
- A final application for approval to decommission any pipelines for which you are responsible, under 30 CFR 250.1751 or 250.1752, to BSEE, Pipelines Section, 1201 Elmwood Park Blvd., New Orleans, Louisiana 70123.

Failure to comply with this Order may result in the issuance of an INC. If such INC is issued to you, you may request an extension to correct the noncompliance and BSEE may grant an extension, should you provide evidence of good faith efforts to meet its regulatory obligations.

This Order may be appealed pursuant to 30 CFR Part 290. If you elect to appeal, a Notice of Appeal must be filed with this office and served on the Associate Solicitor, Division of Mineral

Resources, within 60 days of receipt of this letter (see NTL No. 2009-N12). If you have questions or concerns, you may call Ms. Laura Christensen at (504) 736-2959.

Sincerely,

A handwritten signature in black ink that reads "Michael Prendergast". The signature is written in a cursive, flowing style.

for Lars Herbst
Regional Director