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

In re:	§	
	§	**Case No. 17-31646**
MONTCO OFFSHORE, INC., *et al.*,[1]	§	
	§	**Chapter 11**
Debtors.	§	
	§	**(Joint Administration Requested)**

DECLARATION OF DEREK C. BOUDREAUX IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS

I, Derek C. Boudreaux, hereby declare under penalty of perjury as follows:

INTRODUCTION

1. I am the chief financial officer ("CFO") of Montco Offshore, Inc., a Louisiana corporation headquartered in Galliano, Louisiana ("MO"). I have worked at MO for over a decade, first as an intern, then as a full-time employee in MO's accounting department, and, since January 2010, I have served as its CFO. I am also a manager of MO's wholly owned subsidiary, Montco Oilfield Contractors, LLC, a Louisiana limited liability company headquartered in Houston, Texas ("MOC"), and have served in that role since January 2012. I earned a Bachelor's degree in accounting and a Master's degree in business administration from Nicholls State University. As a result of my experience at MO and MOC, I am generally familiar with the companies' day-to-day operations, business and financial affairs, and books and records.

2. On the date hereof (the "Petition Date"), MO and MOC (each a "Debtor" and together the "Debtors") each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the

[1] The Debtors in these chapter 11 cases, together with the last four (4) digits of each Debtor's federal tax identification number, are Montco Offshore, Inc. (1448) and Montco Oilfield Contractors, LLC (9886). The mailing address for the Debtors, solely for the purposes of notices and communications, is 17751 Hwy 3235, Galliano, Louisiana 70354.

Southern District of Texas (the "Court"). To minimize the possible adverse effects on the Debtors' businesses, the Debtors have filed various motions and pleadings seeking "first day" relief (collectively, the "First Day Pleadings"). I have reviewed the First Day Pleadings. Based on my knowledge, and after reasonable inquiry, I believe that approval of the relief requested in the First Day Pleadings is necessary to minimize disruption to the Debtors' estates resulting from the filing of these chapter 11 cases. I also believe that, absent authority to make certain essential prepetition payments and otherwise continue conducting ordinary-course business operations as set forth herein and described in greater detail in the First Day Pleadings, the Debtors would suffer immediate and irreparable harm to the detriment of their creditors and their estates.

3. All facts and opinions set forth in this declaration are based upon my knowledge of the Debtors' operations, business and employees; information learned from my review of relevant documents; information supplied to me or verified by other members of the Debtors' management and their third-party advisors; and/or my experience, knowledge, and information concerning the oil and gas industry generally. Unless otherwise indicated, the financial information contained in this declaration is unaudited and subject to change. I am authorized to submit this declaration on behalf of the Debtors, and, if called upon to testify, I could and would testify competently to the facts and opinions set forth herein.

4. This declaration is organized as follows: Part I provides background information on the Debtors and detailed information on their business operations. Part II describes the Debtors' prepetition organizational and capital structure. Part III describes the significant distress presently affecting the oil and gas industry, generally, and its impact on the Debtors, specifically, including the events that led to the filing of these chapter 11 cases. Part IV and

Exhibit A summarize the relief requested in, and the factual bases supporting, the First Day Pleadings.

I. THE DEBTORS' BUSINESSES

A. Montco Offshore, Inc.

5. Montco Offshore, Inc. was founded by the Orgeron family in 1948, and continues to be owned and managed by the Orgerons. Historically, MO's focus has been serving the offshore energy industries with crew boats, ocean-going tugs, deck barges, supply boats and liftboats. Today, MO specializes in the construction and operation of liftboats, providing the highest quality and safety of service for offshore operators requiring versatile elevated vessels and work-platforms in the Gulf of Mexico (the "GoM"). Currently, MO has 99 employees, including management, land-based support, mariners, administration and back-office personnel.

6. MO's current total fleet of six (6) vessels (collectively, the "MO Vessels") includes (a) two 335' class liftboats, known as (i) "Robert," which was unveiled in the first quarter of 2012, and (ii) "Jill," which was completed in 2014; (b) two 245' class liftboats, known as (i) "Kayd," which was completed in 2006, and (ii) "Myrtle;" which was completed in 2002; and (c) two 235' class liftboats, each completed in 2009, known as (i) "Paul," and (ii) "Caitlin."

7. Construction of an MO Vessel, start to finish, is approximately a two-year process, which includes the vessel design, submission and approval of construction plans, bidding to vendors for construction-related needs, hiring a shipyard to erect the designs, and completing the project. Given the current instability of the market and uncertainty with respect to future work streams, MO is not currently constructing any new liftboat vessels.

8. In addition to the design and construction of new vessels, MO simultaneously solicits and negotiates directly with operators in the GoM who require the use of MO's liftboats

to fulfill the applicable operators' obligations. Prior to 2015, given the relatively high demand and limited number of vessels in direct competition with the capacities and functionalities of the MO Vessels, MO deployed several liftboats for plugging and abandonment ("P&A") work over the course of long-term, i.e. one year or longer, P&A contracts with GoM operators.

B. Montco Oilfield Contractors, LLC

9. In March 2011, MO acquired 80% of Abandonment Consulting Services, LLC ("ACS"), a project management, engineering and oilfield personnel service provider and general contractor. In January 2012, MO purchased the remaining 20% of ACS and contributed ACS to a new entity, Montco Oilfield Contractors, LLC. MOC remains wholly owned by MO, its sole member.

10. MOC is headquartered in Houston, Texas, and has traditionally been staffed with approximately two dozen full-time employees. MOC also had several independent contractors who served, among other roles, as project managers, coordinators, and engineers. Over the course of the past few months, however, due to the industry downturn as well as specific difficulties facing MOC, as more fully described below, MOC was forced, beginning in October 2016, to undergo a series of layoffs, ultimately resulting, as of the Petition Date, in a workforce of four (4) full-time, salaried employees.

11. As a general contractor, MOC utilizes the services of hundreds of vendors and subcontractors (among them, as described above, MO) throughout the GoM for an array of oil and gas offshore projects, including platform construction, installation, modification, repair, flushing, make-safe removal preparation and decommissioning; well intervention, recompletion and abandonments including both sub-sea and hurricane-damaged wells; pipeline flushing and abandonment; site clearance verification; and trawling projects.

12. MOC also provides, either directly or through its vendors, highly qualified and industry-proven oilfield personnel, including project management professionals, professional engineers, project coordinators, petroleum engineers, mechanical engineers, structural engineers, naval architects, drafters, wellsite managers, clerks, safety representatives, medics, safety and environmental management (SEMS) coordinators, SEMS auditors, logistics coordinators and dock dispatchers.

13. With safety as its highest priority, MOC provides SEMS compliance assurance on each and every project through its own operator-equivalent SEMS, which is monitored and managed by MOC's SEMS steering committee and SEMS-proficient project managers, ultimate work authorities (UWAs) and clerks. In 2016, MOC recorded over 1.57 million man hours worked, completing 156 well P&A projects, 50 platform removals, 63 pipeline abandonments, and 39 sites trawled and cleared, while simultaneously managing 4 rigless-well temporary abandonment ("TA") and permanent abandonment ("PA") operations, 4 heavy-lift vessels, 2 make-safe spreads, 2 hydrocarbon-free spreads, 3 site-clearance verification vessels, 22 marine support vessels, and 3 shorebase operations, all with a remarkably low 0.38 recordable incident rate (TRIR).

14. MOC's relationships with its vendors and subcontractors are generally governed by certain joint master service contracts (the "MSCs") among MOC, MO, and the respective subcontractor(s). The MSCs include each of MOC and MO solely to maximize certain efficiencies for each entity, given that each may utilize the services of, and are sought after by, the same vendors or subcontractors.

15. While the MSCs provide a general framework for a working relationship with subcontractors, the day-to-day operations, scope of work, and pricing of projects are governed

by individualized vendor work orders generated by MOC, as necessary. The balance of the working relationship between subcontractors and the Company continues pursuant to the terms and conditions of the work orders, as well as communications and invoices delivered between the Company and its respective subcontractors.

16. MOC manages each project from start to finish, including: determining the necessary size of a required vessel(s); crafting schematics and procedures; pre-job spud meetings with all vendors; mobilization and equipment requirements; drafting and submitting regulatory filings; obtaining permits and other governmental approvals; and providing UWAs, offshore oversight representatives, and on-location clerks for purposes of providing daily reporting. On any given project, MOC may utilize upwards of 50 different subcontractors in order to complete a work scope. Depending on the scope of work, a project may last anywhere from two weeks to 5 months. And while the utilization of derrick and material barges is limited by weather conditions and essentially on hiatus during the winter months, MOC's business model is predicated on maximizing efficiencies and work scopes 365 days a year, including year-round use of liftboats and other equipment.

II. THE DEBTORS' ORGANIZATIONAL AND CAPITAL STRUCTURE

A. The Debtors' Prepetition Organizational Structure

17. MOC is wholly owned by MO, its sole member. MO, in turn, is majority owned by Mr. Lee Orgeron, an individual, who serves as its Chief Executive Officer. Mr. Orgeron is also a manager of MOC. A chart depicting the Debtors' prepetition organizational structure is attached hereto as **Exhibit B.**

B. The Debtors' Prepetition Capital Structure

18. As of the Petition Date, on a book basis, MOC had an aggregate total of approximately $84 million in total assets, which are mostly made up of receivables, and

approximately $126 million in total liabilities. As of the Petition Date, on a book basis, MO had an aggregate total of approximately $265 million in total assets, and approximately $136 million in total liabilities.

1. The Debtors' Prepetition Secured Debt Obligations

19. MO is a borrower and MOC is a subsidiary guarantor under that certain Second Amended and Restated Credit Agreement dated as of January 29, 2016 (as amended, the "Prepetition Credit Agreement") by and among MO and a non-Debtor affiliate, Orgeron Real Estate, L.L.C. ("ORE"), as borrowers, the lender parties thereto (collectively, the "Prepetition Lenders), and JPMorgan Chase Bank, N.A., as administrative agent (the "Prepetition Agent").

20. The principal amount of the Debtors' consolidated secured debt obligations under the Prepetition Credit Agreement totals approximately $116.6 million, comprising (a) approximately $15 million under the Revolving Loan, (b) approximately $94 million under the Term A-1 Loan, and (c) approximately $7.5 million under the Term C Loan (as each of those terms is defined in the Prepetition Credit Agreement, and collectively, the "Prepetition Secured Debt Obligations"). The Prepetition Secured Debt Obligations are secured by substantially all assets of the Debtors (the "Prepetition Collateral").

21. The Debtors entered into the Prepetition Credit Agreement in order to consolidate several prior term loans related to the construction of the MO Vessels (specifically, the Robert and the Jill), and to provide additional working capital funds necessary for the continued operations of MO.

22. As further described below, due to a material decline in the Debtors' access to liquidity over the course of the past year, as of September 2016, MO was in breach of certain covenants under the Prepetition Credit Agreement, and, since last month, has been unable to meet its principal payment obligations.

2. The Debtors' Intercompany Obligations

23. Due to the nature of MOC's general contracting business model, and the need to pay subcontractors and vendors in advance of receiving payment on customer invoices, MO has historically provided working capital funds, on an as-needed basis and in the form of intercompany loans, to MOC, and MOC has reimbursed MO for these advances upon receipt of customer payments. Similarly, and specifically over the course of the past year while MO's business has been almost entirely dependent on subcontracted work from MOC under the Black Elk Contract (defined and described below), MOC has also provided working capital advances to MO in the form of intercompany loans. The total amount for these intercompany transactions due and owing from MO to MOC is approximately $15 million. These transactions are documented as book entries in the Debtors' books and records.

24. Moreover, as more fully described below, given MOC's liquidity constraints as a result of key issues that arose under the Black Elk Contract, MOC was unable to pay several of its subcontractors and vendors over the course of the past year. MO was one such subcontractor, and has invoiced but not received payment from MOC for approximately $51 million of subcontracted liftboat work. Given the $15 million outstanding intercompany loan due and owing from MO to MOC, the net prepetition intercompany balance is approximately $36 million due and owing from MOC to MO (all of the aforementioned, the "Intercompany Obligations").

3. The Debtors' Other Obligations

a. Other Secured Claims

25. In the ordinary course of their businesses, the Debtors routinely transact business with a number of third-party contractors and vendors who may be able to assert liens, including

certain maritime liens, against the Debtors and their assets, including the MO Vessels, in the event the Debtors fail to make timely payments for goods delivered or services rendered.

b. Trade Claims

26. As of the Petition Date, the Debtors estimate that approximately $5.3 million was due and owing to holders of prepetition trade claims against MO, and approximately $75 million was due and owing to holders of prepetition trade claims against MOC, not including the Intercompany Obligations described above.

III. EVENTS LEADING TO CHAPTER 11

A. Market Conditions

27. With the downturn in the oil and gas industry and the sustained decrease in commodity prices from the beginning of the second half of 2014 through early 2016, companies across the industry faced severe pressures in terms of reduced revenue streams, earnings and cash flows, as well as increasing difficulties to meet certain creditor obligations. Operators in the industry, who served as customers to each of the Debtors, substantially reduced their existing production and implemented severe cutbacks in capital spending. These market conditions have impacted oil and gas companies at every level, as many companies in the industry have filed for bankruptcy protection since the beginning of 2015.

28. Moreover, and as specifically related to the Debtors' businesses, oil and gas companies have substantially deferred maintenance and P&A work in order to conserve cash during the downturn, leading to a decrease in demand for the Debtors' services and, with respect to MOC, the services of MOC's subcontractors and vendors. The financial impact has vastly deferred or impeded the available work to the Debtors, as operators continued to curtail their P&A obligations.

B. Black Elk's Chapter 11 Case

29. On August 11, 2015, certain creditors of Black Elk Energy Offshore Operations, LLC ("Black Elk") filed an involuntary chapter 7 petition in the United States Bankruptcy Court for the Southern District of Texas, Houston Division, against Black Elk, whose case, on September 1, 2015, was voluntarily converted from a chapter 7 to a chapter 11 (the "Black Elk Case").

30. Prior to its bankruptcy filing, Black Elk delivered a confidential bid package to a handful of general contractors, including MOC, seeking bids for decommissioning and P&A work, which Black Elk was required to perform to meet ongoing regulatory obligations at its various properties. MOC and one other contractor submitted bids, and Black Elk, in its business judgment, determined that MOC's proposal presented the best and most cost-effective plan to meet its P&A obligations. Black Elk submitted MOC's proposal for Court approval, and, after Black Elk and MOC undertook significant negotiations with all parties in interest, including, among others, the unsecured creditors' committee in the Black Elk Case, Argonaut Insurance Company ("Argo"), and governmental representatives from each of the Bureau of Safety and Environmental Enforcement ("BSEE"), the Bureau of Ocean Energy Management ("BOEM"), and the Department of Justice ("DOJ") on behalf of the Department of the Interior ("DOI"), the Court approved MOC's turnkey agreement on March 1, 2016 (as amended, the "Black Elk Contract"). A true and correct copy of the Black Elk Contract, as approved in the Black Elk Case and as subsequently amended, is attached hereto as **Exhibit C**.

31. The Black Elk Contract not only provided MOC itself with a significant source of workflow, but also enabled scores of subcontractors, including MO, to continue operating as going concerns, staving off financial distress and/or, in MO's case, the need to significantly reduce its operations, due to rapidly decreasing (or stalled) demand for P&A work.

32. The aggregate scope of work under the Black Elk Contract included 19 "Jobs" (as that term is defined in the agreement), each including a detailed, particularized scope and service description, as well as the gross price for the Job, and the net price due and owing from Black Elk itself. There were listed on Exhibit "A" to the Black Elk Contract. The signatories to the Black Elk Contract included (a) Black Elk, (b) MOC as general contractor, and (c) MO as corporate guarantor of "performance by [MOC] of all of its obligations under and pursuant to [the Black Elk Contract] … and liabilities and responsibilities of [MOC] under and pursuant to [the Black Elk Contract]," as set forth in Section 23 of the Black Elk Contract. On May 3, 2016, Black Elk submitted a revised Exhibit "A" to the agreement (*see* Docket No. 828 in the Black Elk Case), bringing the total number of Jobs to 20.[2]

33. Under the Black Elk Contract, MOC was to bill Black Elk for net amounts listed on Exhibit "A", on a Job-by-Job basis, only once respective Jobs were "completed". The timing of payments is set forth in Section 1.2.3 to the Black Elk Contract, which states:

> All amounts owed to [MOC] shall be paid in connection with the release of any proceeds of surety bonds securing or any cash collateral collateralizing those certain [P&A] obligations and liabilities of [Black Elk] … in connection with the [P&A] of wells, abandonment … of pipelines and decommissioning oil and gas platforms or caissons (the "P&A Obligations") … all as further delineated on an individualized Job by Job basis on Exhibit "A".

See Section 1.2.3. In other words, as Jobs were completed, proceeds of bonds securing the P&A Obligations for such Jobs were to be released and transferred to MOC at its quoted prices.

[2] Moreover, on May 26, 2016, MOC, Black Elk, W&T Offshore, Inc. and McMoran Oil & Gas LLC filed a joint motion to amend the Black Elk Contract and add additional Jobs for Black Elk's P&A obligations at West Cameron 178, Vermillion 119 and Vermillion 124. On June 11, 2016, MOC, Black Elk and W&T filed another joint motion to amend the Black Elk Contract and add additional Jobs for Black Elk's P&A obligations at High Island A-370 and Eugene Island 118. The amendments were approved by the Bankruptcy Court on June 8, 2016 and June 27, 2016, respectively. Unlike the Black Elk Contract itself, to which only the Debtors and Black Elk are signatories, the amendments include those parties plus the working interest and/or legacy owners as signatories.

34. MOC acknowledged "that it [would] only be paid from collateral associated with an individual Job identified on Exhibit 'A' once the applicable obligee for any bond or bonds associated with such individual Job fully terminate[d] or cancel[ed] such bond(s) without residual liability as to the specific bonds identified with such line item." *See id.* That same section, however, includes the following proviso:

> [A]ny remaining bond collateral that exceeds the amounts due and owing for the related Job shall be held and applied toward payment of other Job(s), including those for which the applicable bond amount is less than the turnkey amount for such Job(s).

Id.

35. Thus, parties to the Black Elk Contract expressly manifested an understanding that certain Jobs under the agreement were undercollateralized by appropriate bonding, while others were overcollateralized. The mechanics of the payment terms, then, were to ensure that as bond collateral was freed up with the completion of overcollateralized Jobs, such additional funding would remain in place and become available as payment to MOC upon the completion of undercollateralized Jobs.[3]

36. Certain matters that could arise through the duration of the P&A work but could not be anticipated in advance were expressly carved out of the Black Elk Contract as continuing obligations of Black Elk, and not MOC. Two provisions are illustrative of certain types of such impossible-to-anticipate occurrences that could not be priced into the agreement and were thus carved out:

- **Section 7.9.4**: [Black Elk] Operations to Control a Wild Well, Blowout, or Uncontrolled Flow. Contractor Group shall not be liable for, and [Black Elk]

[3] By way of example only, Exhibit A to the Black Elk Contract reflects that Job 15 (WC 142) has a turnkey price of $1.35 million, with bonding in the amount of $900,000, whereas Job 9 (MI 687/699) has a turnkey price of $1.86 million, with bonding in excess of $2.4 million. Thus, while Job 15 is underfunded from a bonding perspective, Job 9 is overfunded, and, according to the Black Elk Contract, those "excess" funds, upon completion of Job 9, would be applied for payment on the underfunded portion of Job 15.

agrees to protect, defend, indemnify, and hold harmless Contractor Group from and against, any and all Property Claims/Losses resulting from the performance of services to control a wild well, blowout, or any other uncontrolled flow, including, without limitation the costs of controlling such a well, even if the Property Claims/Losses are contributed to or caused by the sole, joint, comparative or concurrent negligence, fault or strict liability of any member(s) of Contractor Group or the unseaworthiness of any vessel.

- **Section 7.9.8**: [Black Elk] Responsibility for Hazardous Materials and Hazardous Waste. … [Black Elk] shall, at its sole expense and risk, transport and dispose of (except as otherwise mutually agreed) any spent or used chemicals or their empty packages, drums, or containers or other hazardous waste or materials even if such materials have resulted from or were incident to the performance by any member(s) of Contractor Group of this Agreement … Contractor Group shall not be liable for and [Black Elk] agrees to release, protect, defend, indemnify, and hold harmless Contractor Group from any and all Claims (including, without limitation, cost of control and cleanup), incurred by any member(s) of Contractor Group under any statute, regulation, or otherwise, arising from [Black Elk]'s failure to properly transport and/or dispose of such hazardous waste or materials even if such is contributed to or caused by the sole, joint, comparative, or concurrent negligence of any member(s) of Contractor Group or the unseaworthiness of any vessel.

37. Because MOC could not have known of certain hazardous materials or waste present at the various properties at which it would be performing the P&A work, it did not price each Job with assumptions related to removal of those materials or waste. Similarly, because uncontrolled flows, blowouts, and wild wells are impossible to predict in advance for purposes of pricing a P&A contract, these matters were also excluded from MOC's cost liabilities under the Black Elk Contract.

38. To be sure, in order to fully service each property appropriately and achieve site clearance, MOC would indeed be required to perform these aforementioned obligations, i.e. attending to wild wells, blowouts, uncontrolled flows, and/or the removal of hazardous materials and waste. To not do so, and to return to Black Elk or working-interest and/or legacy owners seeking their performance of such obligations or otherwise seeking to renegotiate payment terms, would lead to extreme delays on MOC's plans to complete the various scopes of

work. Indeed, in certain instances, delaying and/or leaving a site could pose additional environmental risks and trigger significant regulatory issues for Black Elk and other parties in interest. Hence these provisions were built into the "Indemnification; Special Situations" section of the Black Elk Contract, and Black Elk agreed to bear the costs of these extra projects.

39. What is more, MOC's performance of these "special" or "extra" P&A obligations would ultimately save Black Elk (and the working interest and/or legacy owners) an enormous amount of time and money, given, absent MOC's performance, Black Elk would be required to retain additional contractors for the additional, unanticipated scope of work in order to obtain proper permitting and/or achieve site clearance.

40. Thus, the Black Elk Contract, as approved by all parties in interest, provided the most efficient mechanism to ensure that the P&A plan would be executed in an expeditious, effective manner, while maintaining the integrity of the turnkey pricing structure and not creating additional, unsustainable risks for the contractor. During the scope of work, all parties were informed, through daily job reports, of all work performed by MOC.

C. MOC's Performance Under the Black Elk Contract

41. Immediately upon Court approval of the Black Elk Contract, MOC commenced the P&A work, in an effort to complete the work in a safe and efficient manner during favorable-weather months in the GoM. Over the course of 2015 and 2016, MOC, through its subcontractors and vendors, including MO, was able to complete a substantial amount of the obligations pursuant to the Black Elk Contract, removing 33 platforms, completing 129 well P&A projects, and abandoning 41 pipelines. Indeed, in 2016 alone, of the over $100 million in milestones under the Black Elk Contract, MOC achieved close to $75 million.

42. In an effort to manage and complete the P&A work diligently and quickly, MOC simultaneously enlisted multiple P&A equipment spreads, including utilization of the MO

Vessels, to cover a wide-ranging number of Jobs across the GoM. These campaigns included the following processes: make-safe operations for preparing personnel platforms; follow up for well intervention and well P&A spreads, in order to abandon all wells; follow up with additional spread of equipment to clean vessels and prepare platforms for decommissioning; utilize multiple spreads of equipment to deconstruct platforms and pull objects from the water; employ vessels to trawl at each site; and file end-of-operations reports and submit them to the government for site clearance.

43. Given the aforementioned payment triggers, the Black Elk Contract exposed MOC to over $20 million of vendor liabilities just at the outset of MOC's performance. To be sure, vendors were asked to extend payment terms and credit in order to allow for MOC to complete its obligations under the agreement and trigger payment releases to MOC, such that MOC could then pay vendor invoices. Moreover, at the outset of performance under the Black Elk Contract, MO was able to assist MOC in the form of as-needed working-capital intercompany loans, as further described above.

44. However, a combination of in-the-field, impossible-to-anticipate complications, slow turnaround times with respect to governmental approvals (both on the front end related to permitting and on the back end related to site clearance), and delayed collateral releases plagued MOC with severe cash flow problems, and also immensely increased the costs associated with performance under the Black Elk Contract. These unforeseen – and, with respect to MOC, unavoidable – circumstances, undermined MOC's ability to timely and fully pay its subcontractors for the work performed for Black Elk and its affiliates, and resulted in severe cost overruns that could not have been anticipated.

45. Again, as described above, MO, as MOC's liftboat services provider with respect to the Black Elk P&A work, was (and is) the largest unpaid subcontractor to date, accruing approximately $51 million in unpaid invoices for work performed.

D. Unforeseen Complications Under the Black Elk Contract

46. Three primary categories of complications became apparent to MOC over the course of its performance of the P&A work. First, certain unanticipated matters that arose throughout the P&A performance are expressly covered by the Black Elk Contract and carved out as liabilities of Black Elk (the "Contractual Obligations"). These matters include MOC's performance of work related to "uncontrolled well flows," as well as cleaning and disposing of hazardous materials and waste, and naturally occurring radioactive materials ("NORM"). Again, although the contract places the burden of these Contractual Obligations on Black Elk, nonetheless MOC expended millions of dollars of costs on the front end to address these matters in real time and create significant cost savings for Black Elk and other interest parties. MOC estimates that the total amount expended on the Contractual Obligations was approximately $7.9 million.

47. Second, with respect to several properties, MOC, either once mobilized at a location or as it was performing the P&A work, discovered additional wells, structures, flare piles, or other items that required attention in order to obtain permitting and/or other approvals (including site clearance) from BSEE and BOEM, which were not ever disclosed to MOC (the "Out-of-Scope, Unidentified Work"). Not only were these additional, unknown matters not disclosed by Black Elk in its bid package or during contract negotiations, but they were also not referenced on the relevant governmental databases that track wells and structures, and thus were impossible to identify – and therefore impossible to price into the Black Elk Contract – prior to

MOC's on-site mobilization. MOC estimates that the total amount expended on the Out-of-Scope, Unidentified Work was approximately $4.5 million.

48. Third, with respect to several properties, while, unlike in the prior description, MOC was aware of the *existence* of certain wells and structures, it was not aware of the true scope of work required to P&A such wells and structures until it was on-site. Thus, while the Black Elk Contract included a detailed scope of work for each property's structures and wells, the actual required scope of work often differed from that which was negotiated, due to certain misrepresentations recorded in Black Elk's books and records which were relied upon in the negotiation process by all parties (the "Misrepresented Scope of Work"). These misrepresentations included in Black Elk's books and records related to, among other things, the TA/PA status of certain wells, the condition of certain platforms, and other related issues. MOC estimates that the total amount expended on the Misrepresented Scope of Work was approximately $12.25 million.

49. In total, the aggregate amount of additional, unanticipated work that was completed by MOC but was ultimately the liability of Black Elk and its working interest partners and/or legacy owners, totals approximately $25 million.[4]

50. For each of the categories described above, had MOC not completed the additional work, it would not have been able to complete the P&A work at any of the applicable locations, as it could not have obtained appropriate governmental liability reduction for each Job. What is more, Black Elk and the legacy and/or working interest owners would have still

[4] This number does not account for the substantial indirect costs incurred by MOC related to the aforementioned out-of-scope issues, which caused significant delays for the balance of work to be performed under the Black Elk Contract. Moreover, MOC also incurred several millions of dollars in additional costs related to various incident-of-noncompliance (INC) remediations, excessive debris removals, and BOEM-required archaeological surveys, all of which are outside the scope of the Black Elk Contract and the obligations of Black Elk, not its P&A contractor.

remained liable for the additional remediation costs (not to mention the underlying P&A work), and those costs would certainly have increased had MOC demobilized and remobilized each time it encountered an unanticipated complication, or had MOC stopped work to renegotiate contractual terms, given that the field-level labor and equipment costs on each spread could range anywhere from $2,000 per hour to $6,500 per hour.

51. Moreover, it is important to re-emphasize that the additional work performed by MOC is not news to anyone who has been paying attention. Each day, MOC circulated daily reports regarding its progress on the P&A plan to Black Elk, the working interest owners, and the legacy owners. Every matter that was "extra," and thus not priced into the contract, was disclosed to these parties in interest through these daily reports. Despite that, while, in the aggregate, MOC expended nearly $25 million related to the extra, unanticipated work, MOC has not received payment for any of this additional work from any of the parties. The impact of those additional costs and expenses has not only been borne by MOC, but also by its subcontractors and vendors who performed the Black Elk P&A obligations, including MO.

E. Issues Related to Payment Streams

52. In addition to field-level issues related to the scope of work under the Black Elk Contract, MOC also faced issues related to the payment mechanisms under the agreement, resulting in delayed releases of bond collateral and payments, which contributed to increasing amounts of pressure from MOC's subcontractors.

53. Specifically, even though MOC removed a large amount of the financial liability under the agreement, it consistently encountered the following payment issues, among others: BSEE and BOEM were, at times, unable or unwilling to update their respective websites in a reasonably timely fashion showing that decommissioning liabilities had been reduced to $0; bond obligees would not authorize the relevant sureties to release bonds on a Job-by-Job basis,

given those obligees were covered by bonds that encompassed more than one Job, as defined by the contract; and, despite the clear language in the contract, sureties would not release collateral from the overcollateralized, completed Jobs in order to fund the undercollateralized projects. Again, all of this, coupled with the high costs for out-of-scope work described above, resulted in increasingly delayed payment turnarounds from MOC to its vendors and subcontractors, including MO.

F. Debtors' Attempts to Restructure Payment Terms and Obligations

54. By October 2016, as a result of all the aforementioned issues created by the additional work and costs, as well as by the payment delays, it became clear to MOC that it could not continue to meet its obligations to vendors under the payment structure and workflow obligations of the Black Elk Contract. These obligations included the approximately $51 million that has since accrued and remains due and owing to MO. As such, MOC expended a great deal of time and effort negotiating with all stakeholders, including Argo, legacy owners, bondholders, as well as BSEE and BOEM, to craft alternative payment arrangements, including bond riders and reductions, and even advance payments, so that both BOEM and Argo would release bond collateral on a partial basis, as decommissioning liabilities were reduced, instead of waiting for a Job to reach its completion.

55. While these solutions provided temporary cash flow relief and allowed MOC to begin catching up on vendor liabilities, ultimately even the partial payment arrangement was plagued by delays, unanticipated requirements and requests, and, at bottom, only served as a temporary fix that could not adequately address the elephant in the room, namely the $25 million of extra, out-of-scope work.

56. It should also be noted that each of the Debtors had limited options in terms of alternative sources of cash. Given the state of the industry and the relatively small and low-

priced amounts of available work, lenders were wary to provide any sort of credit or financing to service providers like MOC, given its relatively few hard assets, or to subcontractors like MO, given its significant secured liabilities and a potentially uncertain market for its collateral.

57. In the operation of its liftboats, MO utilizes the services of certain critical vendors, including shipyards, grocery and fuel suppliers, crane services providers, pump suppliers, technicians, and other mission-critical vendors to sustain day-to-day operations. Unless those critical vendors and subcontractors are paid certain prepetition amounts and/or assured of future, regular payment streams, the Debtors will have substantial difficulties in inducing them to continue on any of the Black Elk or other of the Debtors' projects once weather conditions improve and allow for the resumption of work.

G. Chapter 11 Filing

58. Leading up to the filing of these chapter 11 cases, each of the Debtors attempted to negotiate out-of-court paths forward with its key stakeholders. MOC, with the assistance of its advisors, attempted to develop a plan that would provide partial payments to subcontractors and vendors, and craft a payment mechanism by which MOC could provide assurances of future payments in consideration for the subcontractors' continued work on outstanding projects, both under the Black Elk Contract and otherwise. As a general contractor, MOC's primary concern has always been to create and sustain positive, reliable and transparent relationships with its subcontractors. MOC therefore did all that it could to stay out of bankruptcy and meet its obligations due and owing to creditors.

59. Ultimately, however, it became clear that negotiating terms and conditions with over 300 subcontractors and vendors in a constrained time period, as well as with other parties in interest, including the sureties, working interest and legacy owners, and the relevant governmental entities, could only be most efficiently accomplished in a consolidated,

centralized process. This is especially so given that certain vendors have begun initiating litigation proceedings, which only increases the number of directions in which MOC is being pulled.

60. Similarly for MO, while it attempted to negotiate a path forward with its Prepetition Lenders and other key stakeholders outside of a chapter 11 process, given its strained cash positions and outstanding, large unpaid receivables from MOC, coupled with increased pressure from potential lienholders and the initiation of certain disputed seizure actions against the MO Vessels, it became increasingly clear that a transparent restructuring process in chapter 11 would be in the best interests of all of MO's stakeholders, too.

61. In short, the Debtors believe that the filing of these chapter 11 cases will provide the necessary breathing room for each entity to craft value-maximizing plans and obtain the highest and best recovery possible, under the circumstances, for all creditors, in a fair and open manner.

IV. FIRST DAY PLEADINGS

62. Contemporaneously herewith, the Debtors have filed various First Day Pleadings seeking orders granting relief intended to stabilize the Debtors' business operations and facilitate the efficient administration of these chapter 11 cases. The Debtors intend to seek entry of Court orders approving each of the First Day Pleadings as soon as possible in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the Local Bankruptcy Rules for the Southern District of Texas. Absent the Court granting the relief requested by the Debtors in their First Day Pleadings on an emergency basis, I believe that the Debtors will suffer immediate and irreparable harm.

63. A description of the relief requested and the facts and opinions supporting each of the First Day Motions is detailed in **Exhibit A**, attached hereto.

[*Remainder of Page Intentionally Left Blank*.]

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

Dated: March 17, 2017
Houston, Texas

Derek C. Boudreaux

Chief Financial Officer
Montco Offshore, Inc.

Manager
Montco Oilfield Contractors, LLC

Exhibit A

(Description of First Day Pleadings)

Set forth below is the evidentiary support for the first day pleadings that have been filed on the Petition Date.[1] The Debtors anticipate filing additional pleading(s) in advance of the emergency hearing to be scheduled with respect to the first day pleadings, including a motion seeking authority to obtain debtor-in-possession financing and authorizing the use of cash collateral. To the extent additional pleadings are filed after the Petition Date which seek relief at the first day hearing, the Debtors intend to file a supplement to this Exhibit A setting forth additional facts to support the relief requested in such subsequently filed pleadings.

A. Notice of Designation as Complex Chapter 11 Cases (the "*Notice of Complex Designation*")

1. Currently, the Debtors' have total debt of more than $10 million in the aggregate, and there are more than 50 parties in interest in these cases. I believe that application of the Complex Chapter 11 Procedures to these cases will assure appropriate notice of the filings in these cases, assist in the efficient administration of the Debtors' estates, and serve the best interests of the Debtors and their creditors and equity holders. Accordingly, I believe that it is in the best interests of the Debtors, their estates and creditors, and all other parties in interest that the Court grant the relief requested in the Notice of Complex Designation.

B. Emergency Motion for Entry of an Order Directing Joint Administration of the Debtors' Chapter 11 Cases (the "*Joint Administration Motion*")

2. In the Joint Administration Motion, the Debtors request entry of an order directing procedural consolidation and joint administration of these chapter 11 cases and granting related relief. I believe that joint administration of these chapter 11 cases will provide significant administrative convenience without harming the substantive rights of any party in interest.

[1] Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the applicable First Day Pleading.

3. The Debtors anticipate that notices, applications, motions, other pleadings, hearings, and orders in these chapter 11 cases may affect each of the Debtors. If each Debtor's case were administered independently, there would be a number of duplicative pleadings and overlapping service. This unnecessary duplication of identical documents would be wasteful of the resources of the Debtors' estates, as well as the resources of this Court and of other parties in interest.

4. Joint administration will not give rise to any conflict of interest among the Debtors' estates. The rights of the Debtors' respective creditors will not be adversely affected by the proposed joint administration because the Debtors will continue as separate and distinct legal entities, will continue to maintain separate books and records and will provide information as required in the consolidated monthly operating reports on a debtor-by-debtor basis. Each creditor will be required to file a proof of claim against the applicable estate in which it allegedly has a claim or interest and will retain whatever claims or interests it has against the particular estate. The recoveries of all creditors will be enhanced by the reduction in costs resulting from joint administration of the Debtors' chapter 11 cases. The Court will also be relieved of the burden of scheduling duplicative hearings, entering duplicative orders, and maintaining redundant files. Accordingly, on behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be approved.

C. Emergency Motion for an Order Under 11 U.S.C. §§ 105(A) and 521 Extending Time for the Debtors to File their Schedules of Assets and Liabilities and Statements of Financial Affairs (the "*Schedules Motion*")

5. In the Schedules Motion, the Debtors request an extension of time to file the Schedules and Statements. To prepare their Schedules and Statements, the Debtors will have to compile information from books, records, and documents relating to hundreds, if not thousands, of claims and contracts. Accordingly, collection of the necessary information will require a

significant expenditure of time and effort on the part of the Debtors and their employees.

6. In the days leading up to the Petition Date, the Debtors' primary focus has been preparing for these chapter 11 cases, as described in detail in the First Day Declaration. Focusing the attention of key personnel on critical operational and chapter 11 compliance issues during the early days of these chapter 11 cases will facilitate the Debtors' smooth transition into chapter 11, thereby maximizing value for their estates, their creditors, and other parties in interest. Accordingly, I do not anticipate that the Debtors will be capable of finalizing their Schedules and Statements within the 14-day period prescribed by the Bankruptcy Rules.

7. I believe that extending the time by which the Debtors are required to file the Schedules and Statements is critical to enabling the Debtors to effectively transition to operating as chapter 11 debtors. Failure to receive such authorization would severely disrupt the Debtors' operations and significantly impact the Debtors' ability to manage their operations at the outset of these cases. For the foregoing reasons, I believe that it is in the best interest of the Debtors, their estates and creditors, and all other parties in interest that the Court grant the relief requested in the Schedules Motion.

D. Emergency Application for an Order Approving and Authorizing Debtors' Employment of BMC Group, Inc. As Claims, Noticing, and Balloting Agent and Establishing Notice and Administrative Procedures *("Claims Agent Application")*

8. Pursuant to the Claims Agent Application, the Debtors seek entry of an order appointing BMC Group, Inc. as the Claims and Noticing Agent for the Debtors in their chapter 11 cases, to, among other tasks, (a) serve as the noticing agent to mail notices to the estates' creditors and parties in interest; (b) provide computerized claims, objection, soliciting, and balloting database services; and (c) provide expertise, consultation, and assistance in claim and ballot processing and other administrative services with respect to the Debtors' bankruptcy cases,

pursuant to the Services Agreement, which is attached as Exhibit B to the Claims Agent Application.

9. BMC is one of the country's leading chapter 11 administrators, with significant experience in noticing, claims administration, solicitation, balloting, and facilitating other administrative aspects of chapter 11 cases. BMC has substantial experience providing services, including claims and noticing services, in matters comparable in size and complexity to this matter.

10. Given the complexity of these chapter 11 cases and the number of creditors and other parties in interest involved in these chapter 11 cases, I believe that appointing BMC as the notice and claims agent in these chapter 11 cases will maximize the value of the Debtors' estates for all its stakeholders. Accordingly, on behalf of the Debtors, I respectfully submit that the Claims Agent Application be approved.

E. Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain the Cash Management System, (B) Continue Using Existing Checks and Business Forms, (C) Continue Intercompany Arrangements, and (D) Continue Existing Investment and Deposit Practices, and (II) Granting Related Relief *("Cash Management Motion")*

11. Pursuant to the Cash Management Motion, the Debtors request entry of an interim order, and subsequently a final order, (a) authorizing the Debtors to maintain their existing bank accounts and Cash Management System (defined below); (b) authorizing the Debtors to continue using their existing business forms and checks; (c) authorizing the Debtors to continue to engage in intercompany transfers in the ordinary course of business and consistent with past practice; and (d) continue to maintain and use its existing investment and deposit practices and waiving the requirement to comply with section 345 of the Bankruptcy Code, to the extent the Debtors' bank accounts do not strictly comply therewith.

12. The Debtors manage their cash, receivables, and payables through a centralized cash management system (the "Cash Management System"), with an operating account for each of the Debtors, and a savings account in the name of Debtor Montco Offshore, Inc. ("MO") (collectively, the "Bank Accounts"). MO also has four investment accounts (the "Investment Accounts"). Each of the Bank Accounts and Investment Accounts is identified on **Exhibit C** attached to the Cash Management Motion.[2]

13. The Debtors' operating accounts are held at JPMorgan Chase Bank, N.A. ("Chase") and MO's savings account is held at Coastal Commerce Bank ("CCB"). As of the Petition Date, a nominal amount of approximately $5,600 is held in the savings account at CCB. Regarding the Investment Accounts, three are held at Chase, two of which are Capital Contribution Fund ("CCF") accounts that hold proceeds from the prior sales of vessels, and one is held at Edward Jones (together with Chase and CCB, the "Banks").[3] The CCF Investment Accounts allow MO to defer income taxes and withdraw funds to acquire or build new vessels. As of the Petition Date, the CCF Investment Accounts currently hold approximately $365,000. As of the Petition Date, the third Investment Account at Chase has a nominal amount of approximately $4,000, and the Investment Account at Edward Jones has approximately $315,000.

14. The Debtors use their Cash Management System to efficiently collect, transfer, and disburse funds generated from their operations. The Debtors' accounting departments

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[2] The Debtors did not attach a cash flow chart to the Cash Management Motion due to the nonintegrated nature of the Debtors' business operations. The only intercompany transfers that take place are intercompany loans (which the Debtors are not continuing going forward) and transfers in connection with the Expense Allocations (as defined herein and in the Cash Management Motion). Other than the savings and investment accounts, each of the Debtors operates primarily through its respective operating accounts, which accounts are used to receive revenue and pay expenses for the Debtors' respective business operations.

[3] For purposes of this Motion and for convenience only, Edward Jones is defined as a "Bank." In fact, however, Edward Jones is a registered broker-dealer and a member of the Securities Investor Protection Corporation ("SIPC"), and not a commercial bank.

maintain accounting controls with respect to the Bank Accounts and are able to accurately trace the funds through their Cash Management System to ensure that all transactions are adequately documented and readily ascertainable, including in connection with intercompany transactions. During the course of these chapter 11 cases, the Debtors intend to maintain their books and records relating to their Cash Management System to the same extent such books and records were maintained prior to the Petition Date. Accordingly, the Debtors will be able to accurately document, record, and trace the transactions occurring within the Cash Management System for the benefit of all parties in interest.

15. As part of the Cash Management System, the Debtors utilize numerous preprinted business forms (the "Business Forms") in the ordinary course of their businesses. To minimize expenses to their estates and avoid confusion on the part of employees, customers, and vendors during the pendency of these chapter 11 cases, the Debtors request that the Court authorize their continued use of all correspondence and business forms (including, without limitation, letterhead, purchase orders, invoices, and preprinted and future checks) as such forms were in existence immediately before the Petition Date, without reference to the Debtors' status as debtors in possession, rather than requiring the Debtors to incur the expense and delay of ordering entirely new business forms as required under the U.S. Trustee Guidelines. Further, to the extent the Debtors exhaust their existing supply of business forms during these chapter 11 cases, the Debtors will transition to using checks and other business forms with the designation "debtors in possession" and the corresponding bankruptcy case number on all such forms.

16. To avoid disruption of the Cash Management System and unnecessary expense, the Debtors seek a waiver of the requirement to immediately purchase new checks and business forms that include the term "debtor in possession" and the case number assigned to these chapter

11 cases. The Debtors have an inventory of check stock and business forms for the Bank Accounts that would go to waste if new checks were to be ordered and used. Additionally, requiring the Debtors to obtain new checks for the Bank Accounts, which bear the designation "debtor in possession," would cause the Debtors to incur undue expense and delay.

17. In the ordinary course of their businesses, certain of the Debtors and non-Debtor affiliates (together, the "Montco Entities") will fund certain operational expenses for the Montco Entities, and, either immediately prior to funding or subsequent thereto, will receive allocated reimbursements from each of the respective entities (the "Intercompany Transfers") for its proportional expense share (the "Expense Allocations"). This allows for centralized administration of ordinary operational expenses and costs, resulting in cost savings for each of the Montco Entities.

18. For example, as further described in the Debtors' Wage Motion filed contemporaneously herewith, the Montco Entities, including the Debtors, prefund payroll-related expenses, bi-monthly, by transferring funds to non-Debtor affiliate Montco, Inc. ("MI"), which in turn administers payroll, payroll taxes, and employee benefit obligations for each of the Montco Entities. Also, as further described in the Debtors' Wage Motion, certain of the Debtors' employees use Amex Cards for Expenses (each as defined in the Wage Motion) such as travel, meals, and office supplies, that they incur while performing their employment duties. Since MI processes wages and various employee benefits for the Montco Entities, MI generally pays the Amex bills and is reimbursed by the Debtors for their respective expense shares based on the charges incurred by their respective employees.

19. Similarly, as further described in the Debtors' Insurance Motion filed contemporaneously herewith, with respect to most of the Montco Entities' insurance policies,

Debtor MO pays for premiums or financing payments on the front end, and is reimbursed by Debtor Montco Oilfield Contractors, LLC ("MOC") and certain non-Debtor affiliates for their respective shares of the premiums or payments. In other instances, such as vehicle insurance, MI pays the premiums and the Debtors are responsible for reimbursing MI for their respective shares.

20. Overall, the intercompany arrangements described above allow for a streamlined mechanism for payments to employees, taxing authorities, and insurers without the need to engage a third-party administrator or unnecessarily duplicate certain ordinary billing, back-office tasks, significantly reducing administrative and service costs to each of the Debtors.

21. The Debtors seek authority to maintain this intercompany arrangement with respect to Intercompany Transfers for Expense Allocations on a postpetition basis. Requiring the Debtors to cease the Intercompany Transfers would be a costly and time-consuming endeavor, which would require the cancelling of existing accounts and opening new accounts with the same third parties who have been dealing with the Debtors for years. The Debtors would be required to expend substantial employee time adjusting the Company's accounting functions, opening new bank accounts, and engaging a new third-party payroll administrator. Such disruptions to the Cash Management System and the Debtors' operations would be detrimental to the Debtors, their creditors, and all other stakeholders.[4]

[4] The First Day Declaration describes certain historical intercompany transfers between the Debtors in the form of intercompany loans, on an as needed basis and documented as book entries, to fund working capital needs. As of the Petition Date, MO owes MOC approximately $14 million on account of these intercompany loans. Furthermore, as described in detail in the First Day Declaration, in the ordinary course of business, MO invoices MOC for the use of liftboats in connection with certain projects where MOC serves as general contractor and has needed the use of such liftboats with respect to decommissioning and plugging and abandonment work. The outstanding amount of those invoices is approximately $50 million. For the avoidance of doubt, this Motion is ***not*** seeking authority to (a) continue the practice of working capital intercompany loans, or (b) pay prepetition invoices on account of past-due intercompany balances.

22. To ensure that all transfers and transactions will be documented in their books and records, the Debtors will continue to maintain records of all transfers within the Cash Management System. To protect against the unauthorized payment of prepetition obligations, the Debtors represent that if they are authorized to continue to use the Bank Accounts, they will not pay, and the Banks will be directed not to pay, any debts incurred before the Petition Date, other than as authorized by this Court.

23. I believe that the maintenance of the Cash Management System (together with the reporting discussed above) will accomplish the dual goals of minimizing the disruption to the Debtors' operations and satisfying the U.S. Trustee Guidelines. The recording of transactions within the Cash Management System would afford a complete accounting of the Debtors' funds and would serve to provide the U.S. Trustee comfort that the spirit of the U.S. Trustee Guidelines would be observed. Furthermore, preserving a "business as usual" atmosphere and avoiding the unnecessary distractions that inevitably would be associated with any substantial changes to the Cash Management System will (a) facilitate the Debtors' stabilization of their postpetition operations and (b) assist the Debtors in maximizing value for the estates.

24. The Debtors submit that parties in interest will not be prejudiced if the Debtors are authorized to continue to use their business forms substantially in the forms existing immediately before the Petition Date. Parties doing business with the Debtors undoubtedly will be aware of their status as debtors in possession and, thus, changing business forms is unnecessary and would be unduly burdensome. Accordingly, to preserve funds and assist in the efficient administration of the estates, the Debtors seek authority to use pre-existing business forms and check stocks with respect to the Bank Accounts. If the Debtors exhaust their existing supply of business forms during these chapter 11 cases, the Debtors will transition to using

checks with the designation "debtor in possession" and the corresponding bankruptcy case number on all such forms (including checks).

25. Prior to the Petition Date, MO invested excess cash and proceeds from the sale of vessels with banks which primarily invest in investments that are, or are backed by, U.S. Treasury Obligations, or U.S. Government Obligations (either issued or guaranteed by the U.S. Treasury or U.S. Government) (the "Investment and Deposit Practices"). The Debtors' Bank Accounts are depository accounts maintained at banks that are insured by the FDIC (or, with respect to the Edward Jones investment accounts, backed by the Securities Investor Protection Corporation ("SIPC")) and therefore comply with the requirements set forth in section 345(b) of the Bankruptcy Code.

26. With the exception of the Investment Account at Edward Jones, a member of SIPC, the Investment Accounts are all maintained at banking institutions that are FDIC insured. Requiring the posting of a bond to the extent that the balances of these accounts exceed FDIC insurance limits at a given time would be especially disruptive, unnecessary, and wasteful. To the extent that there are excess funds that could be invested during these chapter 11 cases, the Debtors submit that investments in accordance with the Investment and Deposit Practices are prudent and safe. Moreover, if granted a waiver, MO will not be required to incur the significant administrative difficulties and expenses relating to opening new accounts to ensure that all of its funds are fully insured or invested strictly in accordance with the restrictions established by section 345. Based on the foregoing, the Debtors respectfully request that MO be authorized to maintain the Investment Accounts and request a waiver of the deposit and investment requirements of section 345 of the Bankruptcy Code.

27. Requiring the Debtors to adopt a new cash management system and open new bank accounts at the same or different depository institutions at this early and critical stage of these cases would be expensive, impose needless administrative burdens on the Debtors, and would cause undue disruption to the Debtors' operations. Any such disruption would distract from the Debtors' continued operations, transition into chapter 11, and may delay the Debtors' ability to exit chapter 11 swiftly, thereby adversely affecting the Debtors' ability to maximize value for the benefit of creditors and other parties in interest. Moreover, such a disruption would be wholly unnecessary insofar as the continued use of the Debtors' Bank Accounts and Cash Management System provides an efficient and established means for the Debtors to maintain and manage their cash.

F. Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Employee Benefits, and Other Compensation, (B) Maintain Employee Benefit Programs and Pay Related Administrative Obligations, and (C) Pay Independent Contractor Obligations, (II) Directing Financial Institutions to Receive, Process, Honor, and Pay All Checks Presented for Payment and to Honor All Fund Transfer Requests Related to Such Obligations, and (III) Granting Related Relief (the "*Wage Motion*")

28. Pursuant to the Wage Motion, the Debtors seek entry of an interim order, and subsequently a final order, (a) authorizing the Debtors to pay Employee Claims, Contractor Claims, prepetition amounts owed to Amex, and prepetition amounts with respect to Employee Benefits, (b) authorizing the Debtors to continue Employee Benefits programs, and (c) directing all financial institutions to honor prepetition checks for payment of these Obligations and prohibiting such financial institutions from placing holds on, or attempting to reverse, any transfers to satisfy these Obligations.

29. Employees. In the ordinary course of their businesses, the Debtors rely on the services of employed personnel (each, an "Employee" and collectively, the "Employees") to

conduct their business operations, and the Debtors incur obligations to or on account of such Employees. Collectively, the Debtors have approximately 35 salaried full-time employees and approximately 70 vessel employees that are paid a day rate. In the ordinary course of their businesses, the Debtors incur and pay obligations relating to the Employees' salaries, wages, and allowances (the "Compensation Obligations"), which are paid in arrears on the 5th (for days 16-31) and the 20th (for days 1-15) of each month.

30. The Debtors do not use a third-party payroll administrator to facilitate payment of the Compensation Obligations. Instead, non-debtor affiliate MI processes payroll, benefits and administration for each of MO and MOC. In advance of each payroll period, MI notifies each of the Debtors regarding how much needs to be funded for payroll, taxes and benefits for the respective Debtor's employees, and each Debtor transfers the necessary funds to MI in advance of the payroll periods. MI remits the payroll taxes to the appropriate taxing authorities and all Employees are paid by direct deposit from MI. MI does not receive any administrative fees for the payroll and benefits-related services provided to the Debtors; its role is simply to centralize and manage the system by which Employees are paid.

31. The Employees provide a variety of management, administrative, operational, and other support services for the Debtors, including, but not limited to, accounting, logistics, governmental compliance, and decommissioning operations. The Employees' skills and knowledge of the Debtors' infrastructure and operations are essential to the continuation of the Debtors' businesses, and their ongoing, uninterrupted services are vital to the Debtors' operations during the pendency of these chapter 11 cases.

32. The aggregate semi-monthly payroll for the Employees is approximately $440,000.00. Because the Debtors have remitted payment to MI for the upcoming payroll

period, the Debtors do not believe any amounts are owed to Employees as a result of prepetition wages and salaries. Nonetheless, the Debtors seek authority to satisfy any unpaid prepetition Compensation Obligations to the extent such obligations exist.

33. Independent Contractors. In the ordinary course of their businesses, in addition to the Employees, the Debtors rely on the services of approximately twenty (20) consultants and independent contractors (collectively, the "Independent Contractors") to conduct their business operations, and the Debtors incur obligations to or on account of such Independent Contractors (the "Independent Contractor Obligations"). The Independent Contractors provide valuable services such as support, planning and execution of decommissioning and removal of offshore facilities and are therefore an integral component to the Debtors' businesses. The Independent Contractors submit bi-monthly invoices to the respective Debtors and are paid bi-monthly in arrears directly from such Debtor.

34. The aggregate, average bi-monthly payroll for the Independent Contractors is approximately $110,000 and the Debtors estimate that, as of the Petition Date, it owes approximately this amount on account of the Independent Contractor Obligations. The Debtors seek authority to pay such prepetition Independent Contractor Obligations.

35. The Independent Contractors typically submit invoices in arrears, and thus, as of the Petition Date, the Debtors have not paid certain Independent Contractors for prepetition services. The Debtors believe that approximately three (3) Independent Contractors are owed in excess of the $12,850 statutory priority amounts provided by section 507(a)(4)(A) of the Bankruptcy Code as a result of prepetition wages and salaries. The Debtors seek authority to satisfy (a) any unpaid prepetition Independent Contractor Obligations up to the $12,850 statutory priority provided by section 507(a)(4)(A) of the Bankruptcy Code during the first 21

days of these chapter 11 cases and (b) any remaining unpaid prepetition Independent Contractor Obligations in excess of the $12,850 statutory priority provided by section 507(a)(4)(A) of the Bankruptcy Code upon entry of the Final Order.

36. Expense Reimbursement. Approximately twenty (20) Employees have been issued American Express Corporate Cards (the "AmEx Cards") pursuant to a *Corporate Services Commercial Account Agreement* with American Express. Employees may seek reimbursement of certain business expenses, such as travel, meals, operational needs, and office supplies, that they incur through using their AmEx Cards in performing their employment duties (collectively, the "Expenses"). Under the agreement with AmEx, Employees are jointly and severally liable for the Expenses. AmEx Cards statements are paid by non-debtor affiliate, Montco, Inc. ("MI"), which remits payment on account of such Expenses. Each of the Debtors (as well as each other non-debtor affiliate) is responsible for reimbursing MI for expenses incurred by its respective Employees.

37. Based on the last 12 months of payroll, expense reimbursements for AmEx Card-use ranged between $150,000 to $200,000 per month in the aggregate, though the Debtors expect this number to decrease as a result of certain required layoffs over the past several months. Because of the irregular nature of requests for expense reimbursements, it is very difficult for the Debtors to determine the amount of unpaid Expenses at any given time. The Debtors estimate that, as of the Petition Date, American Express is owed approximately $130,000 (of approximately $120,000 were incurred by the Debtors' employees and approximately $10,000 were incurred by employees of non-debtor affiliates).

38. It is essential to the continued seamless operation of the Debtors' businesses that the Debtors be permitted to continue to make payments for the charges incurred through use of

the AmEx Cards. Accordingly, the Debtors seeks authority to (a) satisfy any prepetition amounts due and owing to American Express and to reimburse outstanding prepetition Expenses, (b) continue use of the AmEx Cards and American Express programs in place as of the Petition Date, and (c) continue to pay all amounts due and owing to American Express on account of the Expense reimbursements postpetition in the ordinary course of business.

39. Obligations Related to Payroll Taxes. The Debtors are required by law to withhold from Employees' salaries and wages certain amounts related to federal and state income taxes, social security taxes, Medicare taxes, and other taxes imposed by the law (each, a "Withholding Tax" and collectively, the "Withholding Taxes") and to remit any such withheld amounts to the appropriate taxing authorities (the "Taxing Authorities") according to schedules established by such Taxing Authorities. The Debtors estimates that, on account of the Payroll Taxes, the Debtors withhold, in the aggregate, approximately $225,000 per month. As of the Petition Date, the Debtors believe that all prepetition Payroll Taxes have been paid in full. Nonetheless, out of an abundance of caution, the Debtors seek authority to pay any unpaid prepetition Payroll Taxes, if any, pursuant to the Wage Motion.

40. Garnishments and Other Withholdings. In the ordinary course of processing Employee payroll, the Debtors may be required by law to withhold from certain Employees' wages and salaries amounts on account of tax levies, child support, and court-ordered garnishments (collectively, "Garnishments"). Amounts withheld on account of Garnishments are remitted to the appropriate state and federal authorities. On average, approximately $2,000 per month is withheld from Employees' salaries and wages on account of Garnishments. As of the Petition Date, the Debtors believe all prepetition Garnishments have been paid in full. Nonetheless, out of an abundance of caution, the Debtors seek authority to pay any unpaid

prepetition Garnishments. The Debtors have also in the past withheld certain amounts from certain office personnel employees' paychecks in satisfaction of loans made by the Debtors to such employees. The Debtors seek to continue to withhold such amounts in the ordinary course of business based on prepetition practices.

41. Employee Benefit Plans. In the ordinary course of their businesses, the Debtors make various benefit plans available to their Employees. These benefit plans fall within the following categories: (a) paid time off, short-term disability pay, bereavement leave, jury duty leave, maternity/paternity leave, and military leave (together, the "Employee Leave Benefits"); (b) medical, dental, vision, and prescription-drug benefits, life insurance, accidental death and dismemberment ("AD&D") insurance, critical illness, disability, and workers' compensation (together, the "Health and Welfare Benefits"); (c) 401(k) plan pension (the "Retirement Benefits"); and (d) miscellaneous benefits (each of (a) – (d), an "Employee Benefit" and collectively, the "Employee Benefits"). Although the Debtors maintain certain Employee Benefits plans themselves, other Employee Benefits plans, such as the Health and Welfare Benefits plans, are maintained by third parties. The Debtors seek authority to pay any prepetition amounts owed on account of the Employee Benefits and to continue the Employee Benefits postpetition in accordance with prepetition practices.

42. Employee Leave Benefits. The Employee Leave Benefits are provided and administered by the Debtors. Eligible Employees accrue paid time off and related benefits as generally described below. The Debtors seek authority to continue the Employee Leave Benefits postpetition in accordance with prepetition practices.

43. Vacation Days. Employees employed by the Debtors for less than five years receive one week of vacation days per year and those who have been employed for more than

five years receive two weeks of vacation days per year. Unused vacation days may not be carried over to the next year. Employees who are terminated are not compensated for accrued but unused vacation days unless otherwise required by law.

44. Maternity/Paternity Leave. The Debtors provide, among other things, up to 12 weeks of unpaid maternity and paternity leave for eligible Employees in compliance with the Family and Medical Leave Act.

45. Short-Term Disability. The Debtors also maintain a short-term disability policy for certain eligible Employees for which the Debtors do not make any contributions. These Employees will continue to be paid 60% of their full compensation during their short term disability leave ("Short-Term Disability"). This type of leave may run concurrently with an Employee's Family and Medical Leave Act leave, and is intended to compensate Employees absent from work because of a "temporary medical disability," which is intended to include extended leave for pregnancy and childbirth. If an Employee participates in any of the Health and Welfare Benefits plans, the Employee's Short-Term Disability will have no effect on such participation.

46. Other. The Debtors do not have a formal paid time off policy with respect to sick days, personal days, bereavement leave, jury duty leave, or military leave. Given the number of employees, employees that require days off from work simply provide notice to the Debtors' management teams as soon as practical.

47. Health and Welfare Benefit Plans. The Debtors sponsor several Health and Welfare Benefits plans to provide benefits to eligible Employees. The Health and Welfare Benefits include medical, vision, dental, and prescription drug plans, life and AD&D insurance, critical illness, long-term disability benefits, workers' compensation, and health spending

accounts (collectively, the "Health Benefits Plans"). MI administers the following health benefits plans through various network providers (the "Health Benefits Providers") to eligible Employees and their families:

Type of Benefits	Network Provider
Medical	Blue Cross and Blue Shield of Louisiana
Dental	Metlife
Vision	Metlife
Prescription Drug	Express Scripts, Blue Cross and Blue Shield of Louisiana
Life Insurance	Metlife
Accidental Death and Dismemberment (AD&D)	Metlife
Critical Illness	All State
Long Term Disability	Metlife
Worker's Compensation	Am. Longshore Mutual Assoc., Ltd. and Manufacturer's Alliance Ins. Co.

48. The Debtors maintain a self-insured medical plan that is administered by Blue Cross and Blue Shield of Louisiana ("BCBS"). Each week, the Debtors reimburse BCBS the amount of the actual claims arising under the medical and prescription policies ("Health Benefit Claims") for their respective Employees. The average monthly prescription claims for the past three months is approximately $35,000 and the average monthly insurance claims paid by the Debtors is approximately $69,000. In addition, the Debtors pay, through MI, BCBS administrative fees of approximately $3,400 per month. As of the Petition Date, the Debtors estimate approximately $10,000 of Health Benefit Claims are outstanding based on historical data, including those which may have not yet been submitted. The Debtors seek authority to pay such prepetition Health Benefits Claims.

49. The Debtors are required to pay annual premiums in exchange for the remaining benefits provided to Employees who subscribe to the Health Benefits Plans. Such premiums for the Health Benefits Plans coverage are funded by the Debtors, but also partly subsidized by Employee contributions withheld from paychecks. In the ordinary course of business, each Health Benefits Plan premium may vary as the number of Employees enrolled in the Health Benefits Plans changes and as the Health Benefits Providers change their prices.

50. To participate in the Health Benefits Plans, the Debtors are required to pay annual premiums of approximately $36,000 in the aggregate. All premiums to Health Benefits Providers are paid in advance. Because the obligations to the Health Benefits Providers are prepaid, the Debtors do not believe any prepetition amounts are owed on account of the Health Benefits Plans. Nonetheless, out of an abundance of caution, the Debtors seek authority to pay any unpaid prepetition amounts on account of the Health Benefits Plans, including any prepetition amounts owed to BCBS as the claims administrator with respect to the self-insured medical plan.

51. COBRA. The Debtors maintain an account with Wageworks, Inc. ("Wageworks") for health insurance under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") benefits to employees who have been terminated. As of the Petition Date, there are less than five former employees who participate in COBRA insurance. The Debtors do not pay for the COBRA insurance for these former employees, rather, those costs are paid by the former employees. The Debtors do pay approximately $100 per month in administrative fees to Wageworks for administering the COBRA insurance. The Debtors do not believe that any prepetition amounts are owed Wageworks. However, out of an abundance of caution, the Debtors seek authority to pay any prepetition amounts to Wageworks for administering the COBRA benefits through this Motion.

52. The Debtors offer life insurance (the "Life Insurance Plan"), AD&D insurance (the "AD&D Insurance Plan"), critical illness (the "Critical Illness Insurance") and long-term disability benefits (the "Long-Term Disability Plan") to eligible Employees. The Debtors pay (a) approximately $11,000 in premiums each month on account of the Life Insurance Plan, AD&D Insurance Plan, Critical Illness Insurance and Long-Term Disability Plan. Such premiums are paid in advance, and as such, as of the Petition Date, the Debtors do not believe they owe any prepetition amounts with respect to the Life Insurance Plan, AD&D Insurance Plan, Critical Illness Insurance, and Long-Term Disability Plan. Nonetheless, the Debtors request authority to pay any prepetition amounts with respect to such plans.

53. Worker's Compensation. In the ordinary course of business and in the jurisdictions where the Debtors operate, the Debtors are required to maintain workers' compensation insurance. The Debtors maintain two workers' compensation insurance policies which are administered by Am. Longshore Mutual Assoc., Ltd. ("ALMA") and Manufacturer's Alliance Ins. Co. ("Manufacturer's Alliance"). The worker's compensation policy administered by ALMA (the "ALMA Policy") covers the Debtors' Independent Contractors and certain of MO's employees. The maritime employer's policy administered by Manufacturer's Alliance ("Manufacturer's Alliance Policy") covers all remaining employees of the Debtors. The Debtors pay approximately $40,000 annually for the Manufacturer's Alliance Policy and do not believe that there is any amounts outstanding as of the Petition Date. The Debtors pay approximately $10,000 to $15,000 per month for the ALMA Policy. As of the Petition Date, the Debtors estimate that approximately $12,000 is owed on the ALMA Policy.

54. The Debtors are not aware of any outstanding prepetition workers' compensation claims and do not believe that any significant prepetition amounts are owed on account of the

workers' compensation coverage. As of the Petition Date, the Debtors do not believe that they owe any prepetition amounts with respect to workers' compensation claims. Nonetheless, because payment of the workers' compensation claims is essential to the continued operation of the Debtors' businesses under the laws of the jurisdictions in which they operate, the Debtors seek authority to pay any and all prepetition workers' compensation claims and to continue to fund the workers' compensation insurance policy in the ordinary course of business.

55. Health Flex Spending Accounts. The Debtors currently have approximately twenty (20) Employees who participate in a health flexible spending account ("FSA") and/or a dependent care FSA. As of the Petition Date, the Debtors contribute approximately $3,000 per month for their employees. The Debtors seek authority to continue contributing to the FSAs as an Employee Benefit.

56. Retirement Benefits. The Debtors provide Retirement Benefits to certain eligible Employees. Specifically, the Debtors participate in a 401(k) plan for the benefit of certain eligible Employees (the "401(k) Plan"). Each Employee participant in the 401(k) Plan may elect to contribute a percentage of his or her salary to the 401(k) Plan, subject to limitations under applicable law (such discretionary contribution, a "Plan Contribution"). The Debtors do not match the Employee's contributions to the 401(k) plan. The 401(k) Plan is provided and administered by Professional Capital Services. The Debtors estimate that, as of the Petition Date, approximately $20,000 is outstanding on account of the 401(k) Plan owed to Professional Capital Services. The Debtors seek authority to pay such prepetition amounts and to continue the 401(k) Plan. The Debtors estimate that going forward, the cost associated with the 401(k) Plan will range from $20,000 to $30,000 per payroll period.

57. Company Vehicles. The Debtors provide a monthly vehicle allowance to nine of the Debtors' Employees to lease vehicles (the "Company Vehicles") for business and personal use. The monthly vehicle allowance is paid on the first of the month in arrears and range from $750 to $850 per employee. The Debtors believe approximately $3,500 of prepetition amounts are owed on account of the Company Vehicles. The Debtors seek authority to continue providing allowances for and making payments on account of the Company Vehicles consistent with prepetition practices.

58. Miscellaneous Benefits. The Debtors provide certain eligible Employees with other benefits, including, but not limited to, cellular phones and wireless devices (ie. MiFi devices) on the Debtors' phone and data plan (collectively, the "Miscellaneous Benefits). The Debtors estimate the Miscellaneous Benefits cost approximately $6,500 per month. The Debtors pay these expenses as they arise in the ordinary course of business and believe that no amounts are owed on account of prepetition miscellaneous benefits. However, in an abundance of caution, the Debtors seek authority to pay any prepetition amounts owed on account of the Miscellaneous Benefits.

59. The Employees and Independent Contractors are essential to the Debtors' businesses. Any delay in paying or failure to pay the Obligations could irreparably impair the morale of the Debtors' workforce at the time when their dedication, confidence, retention, and cooperation are most crucial. It could also inflict a significant financial hardship on their families. The Debtors cannot risk such a substantial disruption to their business operations, and it is inequitable to put the Employees and Independent Contractors at risk of such hardship.

60. Payment of the Obligations in the ordinary course of business would enable the Debtors to focus on continuing to operate during the pendency of these chapter 11 cases, which

would benefit all parties in interest. Without this relief, otherwise loyal Employees and Independent Contractors may seek other work opportunities, thereby putting at risk the Debtors' continued operations throughout the enterprise. Payment of the Obligations will enable the Debtors to continue to operate their businesses in an economic and efficient manner without disruption.

61. Payment of administrative fees to the administrators of the Employee Benefit plans is also necessary. Without the continued service of these administrators, the Debtors will be unable to continue to honor their obligations to Employees under the Employee Benefit plans. For the foregoing reasons, I respectfully submit that the relief requested in the Wage Motion should be granted.

G. Emergency Motion for Entry of an Order Authorizing the Debtors to Pay Prepetition Amounts Arising Under Insurance Policies (the "*Insurance Motion*")

62. Pursuant to the Insurance Motion, the Debtors request entry of an order (a) authorizing the Debtors to pay any premiums, administrative fees, deductibles, and other obligations related to the Insurance Policies (as defined below) and related programs, including any Broker's Fees (as defined below) that accrued but remain unpaid as of the Petition Date (the "Prepetition Insurance Claims") and (b) granting related relief.

63. The Debtors maintain certain insurance policies provided by third-party insurance carriers (the "Third-Party Insurance Carriers"), in the ordinary course of their businesses, including, among other things, general liability, workers' compensation, maritime liability, umbrella liability, excess liability, breach of warranty, and vessel and automobile liability (collectively, the "Insurance Policies"). The Insurance Policies are essential to the Debtors' continued operations. A summary of the Insurance Policies is attached to the Insurance Motion as **Exhibit B** and is incorporated herein by reference.

64. Most of the Insurance Policies are financed through First Insurance, as reflected on Exhibit B to the Insurance Motion, and the total monthly installment payments under the financing arrangement are approximately $536,000. Historically, in the ordinary course of the Debtors' businesses, the monthly installment payments are made by Debtor Montco Offshore, Inc. ("MO"), which, in turn, is reimbursed by Debtor Montco Oilfield Contractors, LLC ("MOC") (as well as any non-debtor affiliate who is a named insured under the Insurance Policy) for its proportionate share. While MO is current on all payments to First Insurance, MOC has not reimbursed MO for its share in 2016 and, as of the Petition Date, owes MO approximately $288,000.00 on account of such insurance obligations. The Debtors are not seeking authorization for MOC to pay MO on account of prepetition amounts due and owing, but instead are seeking authorization for MOC to pay its proportionate share on a go-forward, postpetition basis with respect to the Insurance Policies.

65. As of the Petition Date, the Debtors' estimate that approximately $60,000 in prepetition amounts are due and payable on account of the Insurance Policies. By the Insurance Motion, the Debtors seek authority to honor any prepetition amounts owed on account of the Insurance Policies.

66. The Debtors employ the insurance brokerage services of Theriot, Duet & Theriot, Inc. (the "Insurance Broker"). The Insurance Broker assists the Debtors in obtaining comprehensive insurance coverage for their operations in the most cost-effective manner and advises the Debtors on the appropriate policies for the Debtors' businesses. The Debtors make all payments on the Insurance Policies to the Insurance Broker either by commission or a fee (collectively, the "Broker's Fees"), incorporated into the Insurance Policy premiums, to find and sell the Insurance Policies to the Debtors.

67. Significantly, since a significant number of the Debtors' Insurance Policies expire on March 27, 2017, the Insurance Broker's services will be needed to obtain or renew the existing policies. As of the Petition Date, the Debtors do not believe that any amounts are due and owing on account of Broker's Fees. However, out of an abundance of caution, and due to the importance of maintaining sufficient insurance coverage, the Debtors seek authority to honor any prepetition amounts owed on account of the Broker's Fees.

68. The success of the Debtors' efforts to operate effectively and efficiently in chapter 11 will depend on, *inter alia*, the maintenance of the Insurance Policies on an uninterrupted basis. In addition, the Debtors believe that any unsecured creditors' committee appointed in these chapter 11 cases would expect and demand that the Debtors maintain, at a minimum, certain property and liability Insurance Policies.

69. The Debtors' failure to pay the Prepetition Insurance Claims, as and when they become due, could affect their ability to renew the Insurance Policies, which could have a material adverse effect on the Debtors' operations. If the Insurance Policies are allowed to lapse or are terminated, or if the Debtors default under the Insurance Policies based on non-payment of any Prepetition Insurance Claims, the Debtors could be exposed to substantial liability for damages resulting to persons and property of the Debtors and others. This exposure would negatively impact the Debtors' ability to operate in chapter 11 and jeopardize the value of their estates. Additionally, to ensure the retention of qualified and dedicated senior management, the Debtors must continue the directors' and officers' liability policies.

70. In light of the importance of maintaining insurance coverage with respect to their business operations, the Debtors respectfully submit that it is in the best interests of the Debtors'

estates to pay the Prepetition Insurance Claims. For the foregoing reasons, I respectfully submit that the relief requested in the Insurance Motion should be granted.

H. Emergency Motion for Entry of Interim and Final Orders Providing Adequate Assurance of Utility Payments (the "*Utilities Motion*")

71. Pursuant to the Utilities Motion, the Debtors seek entry of an interim order, and subsequently a final order (a) prohibiting utility companies from altering, refusing, or discontinuing services to the Debtors; and (b) approving the amounts and methods by which the Debtors may furnish certain utilities with adequate assurance of payment for postpetition utility services.

72. Numerous Utilities provide the Debtors with traditional utility services, such as telephone and communications, information technology, electricity, water, waste management and other similar services (collectively, "Utilities Services") that are necessary for the continued operation of the Debtors' day-to-day affairs. A non-exclusive list of the Utilities that provide Utility Services to the Debtors as of the Petition Date is attached to the Utilities Motion as **Exhibit C** (the "Utility Service List"). The Debtors have made a good-faith effort to identify all Utilities and list them on the Utility Service List.

73. On average, the Debtors pay approximately $30,780.00 per month for Utilities Services, calculated as a historical average for the 6-month payment period ended February 28, 2017. Historically, both Debtors have paid the utility bills on a monthly basis, either by check or on the Amex Card (as defined in the First Day Declaration) and the other Debtor is responsible for reimbursing the other for its respective share. The Debtors do not believe that any of the Utilities are currently holding any deposits. To the best of the Debtors' knowledge, there are no defaults or arrearages with respect to the Debtors' undisputed invoices for prepetition Utilities Services.

74. The Debtors intend to pay postpetition obligations owed to the Utilities in a timely manner. The Debtors expect that cash generated from operations, together with the Debtors' cash collateral and postpetition financing, will provide sufficient liquidity to pay obligations related to Utility Services in accordance with prepetition practices. However, to provide additional assurance of payment to the Utilities, the Debtors propose to deposit approximately $15,390.00 (the "Adequate Assurance Deposit") into a segregated account (the "Adequate Assurance Account"). The amount of the Adequate Assurance Deposit equals approximately one half of the Debtors' average monthly cost of Utility Services during the 6-month period ended February 28, 2017. The Adequate Assurance Deposit will be held in the segregated account for the duration of these chapter 11 cases and may be applied to any postpetition defaults in payment to the Utilities.

75. Uninterrupted utility service is critical to the Debtors' ability to operate and maintain the value of their businesses and to maximize value for the benefit of their creditors. The Debtors could not operate their businesses without utility service. Should any Utility refuse or discontinue service, the Debtors would be forced to limit or significantly curtail operations. Such a cessation would substantially disrupt the Debtors' business and result in revenue loss, which could irreparably harm and jeopardize the Debtors' operations and strategic objectives. Accordingly, it is essential that the Utilities Services continue uninterrupted during these chapter 11 cases. For the foregoing reasons, I respectfully submit that the relief requested in the Utilities Motion should be granted.

Exhibit B

(Prepetition Organizational Chart)

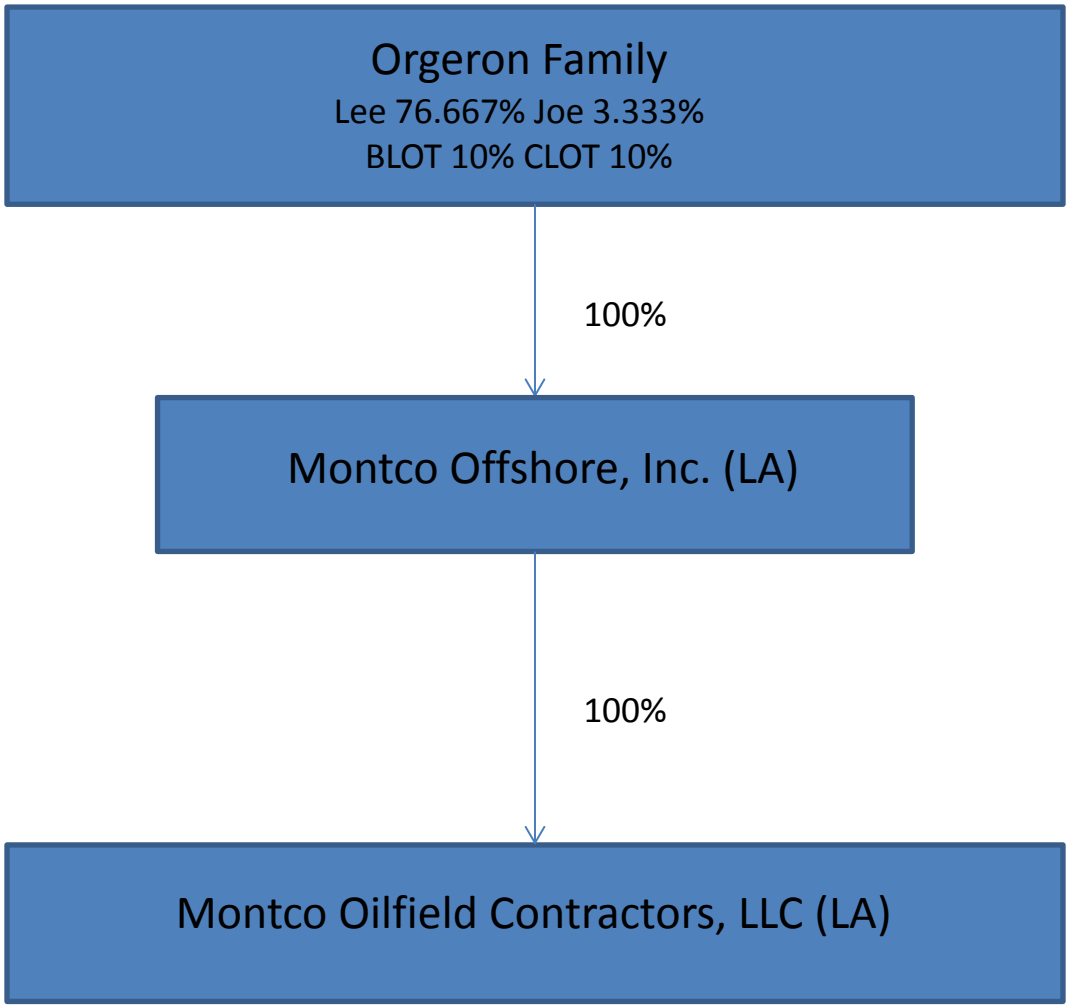


Exhibit C

(Black Elk Contract)

THIS AGREEMENT HAS PROVISIONS REQUIRING ONE PARTY TO INDEMNIFY AND TO BE RESPONSIBLE FOR THE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF THE INDEMNIFIED PARTY

AMENDED AND RESTATED TURNKEY SERVICE AGREEMENT
EFFECTIVE DATE: February 8, 2016

This AMENDED AND RESTATED TURNKEY SERVICE AGREEMENT (this "Agreement"), is made and entered into on the above date by and between **BLACK ELK ENERGY OFFSHORE OPERATIONS, LLC**, hereinafter referred to as "Company", and **MONTCO OILFIELD CONTRACTORS, LLC**, hereinafter referred to as "Contractor" (and together with Company, the "Parties" and each a "Party"). This Agreement supersedes and replaces that certain Service Agreement dated as of January 13, 2016 by and between the Parties.

SECTION 1. WORK TO BE PERFORMED AND COMPENSATION

1.1 Scope of Work

1.1.1 Scope of Work.

(a) Company has requested, and Contractor has agreed, that Contractor and/or its subcontractors perform such work and furnish such services as described in the scope of work attached hereto as **Exhibit "A"** (such work and services, collectively, referred to herein as the "Jobs", or, on an individualized line item basis, as an individual "Job"). Contractor will begin each particular Job at such time as is agreed upon between Contractor and Company and, once having commenced any such Job, Contractor will perform the Job in a good and workmanlike manner, and when the Job is completed, such Job will have been performed to the full and complete satisfaction of Company and in accordance with all applicable Regulations and Laws. It is specifically understood that all Jobs shall be performed subject to all the terms and conditions of this Agreement, and this Agreement shall become effective and operative on the later of (a) approval of this Agreement by entry of a final order by the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"), in the bankruptcy case currently pending, *In re Black Elk Energy Offshore Operations, LLC* (Case No. 15-34287) (the "Bankruptcy Case"), and (b) the Company provides Contractor with notice that sufficient parties with control over P&A Cash Collateral Accounts (as defined below) have agreed that such proceeds may be used for the purposes outlined herein (the "Controlling Parties' Consent").

(b) Company represents and warrants, to the best of its knowledge, that (i) the "working interest" percentages it provided to Contractor and which are reflected in **Exhibit "A"** are true and correct as of the date of this Agreement, (ii) Company's accounts collateralizing those certain decommissioning, plugging and abandonment obligations and liabilities of Company (as applicable) for the wells, pipelines and platforms/caissons identified on **Exhibit "A"**, any escrow accounts securing such obligations, and the full penal sum of the applicable surety bonds are capitalized in an amount greater than or equal to the cumulative Turnkey Job Price of all the Jobs as set forth on **Exhibit** "**A"** and (iii) it shall use its best efforts and take all reasonable steps to obtain the Controlling Parties' Consent in a timely manner.

1.2 Compensation and Fees

1.2.1 Compensation. Contractor shall bill Company for amounts set forth on **Exhibit "A"** in the "Net Total per Property" column for each Job ("Turnkey Job Price") at such time when and only when the Jobs are completed to the full and complete satisfaction of Company and in accordance with all applicable Regulations and Laws. Contractor shall be entitled to bill Company, and Company hereby agrees to pay, for the Jobs as set forth on **Exhibit "A"** hereto on a "turnkey" basis per Job. "Turnkey" as used herein shall mean that the Turnkey Job Price for each Job shall be firm and fixed regardless of the actual fees, costs and expenses incurred by Contractor in performing each Job (whether such fees, costs and expenses be less than or more than the Turnkey Job Price). For the avoidance of doubt, Company shall be liable to Contractor for the full amounts set forth herein and pursuant to the terms of this Section 1, notwithstanding failure by any of Company's third-party working-interest partners to pay Company or Contractor on account of such partners' working-interest obligations.

1.2.2 Incentive Fee. In addition to the compensation amounts set forth in Section 1.2.1, Company agrees to pay Contractor an incentive fee in the amount of $1,500,000 (the "Incentive Fee"), which shall be payable from any collateral securing debtor-in-possession financing provided by Contractor's affiliate, as provided by final order entered by the Bankruptcy Court, except from proceeds of chapter 5 causes of action.

1.2.3 Timing of Payments. All amounts owed to Contractor shall be paid in connection with the release of any proceeds of surety bonds securing or any cash collateral collateralizing those certain plugging and abandonment obligations and liabilities of Company and/or its subsidiaries, in connection with the plugging and abandonment of wells, abandonment (and, if governmentally required, removal) of pipelines and decommissioning oil and gas platforms or caissons (the "P&A Obligations"), including, without limitation, any proceeds of surety bonds securing Company's decommissioning liabilities and all cash in any accounts which hold cash collateral collateralizing such obligations (collectively, the "P&A Cash Collateral Accounts"), all as further delineated on an individualized Job by Job basis on **Exhibit "A."** Notwithstanding anything else to the contrary herein, Contractor specifically acknowledges that it will only be paid from collateral associated with an individual Job identified on **Exhibit "A"** once the applicable obligee for any bond or bonds associated with such individual Job fully terminates or cancels such bond(s) without residual liability as to the specific bonds identified with such line item, provided that any remaining bond collateral that exceeds the amounts due and owing for the related Job shall be held and applied toward payment of other Job(s), including those for which the applicable bond amount is less than the turnkey amount for such Job(s).

1.3 Regulations and Laws

1.3.1 All activities and operations to be conducted and performed pursuant to this Agreement will be conducted and performed in accordance with all applicable laws (including environmental laws), statutes, codes, ordinances, orders, judgements, directives, rules or regulations that are promulgated, issued or enacted by any governmental authority having jurisdiction, including, without limitation, the Bureau of Ocean Energy Management ("BOEM") and the Bureau of Safety and Environmental Enforcement ("BSEE") (collectively, "Regulations and Laws").

SECTION 2. INDEPENDENT CONTRACTOR

2.1 It is expressly understood that Contractor is an independent contractor and that neither Contractor nor any of its designees are servants, agents or employees of Company. As an independent contractor, Contractor agrees to comply with all laws, rules, and regulations, whether federal, state or municipal, which now or in the future may be applicable to all Jobs performed

hereunder or in any manner connected with its performance hereunder. Contractor represents that it is qualified to perform the work requested by Company and that its employees will follow all applicable Regulations and Laws, including without limitation work safety rules, and that all of its equipment is safe, sufficient and free from defects, latent or otherwise. Contractor acknowledges that Company will rely upon these representations. Contractor agrees that it will not knowingly permit any employee of Company to own an interest in Contractor or to derive any economic benefit with respect to any Job performed by Contractor hereunder.

2.2 In all cases where Contractor's employees (defined to include contractor's direct, borrowed, special, or statutory employees) are covered by the Louisiana Worker's Compensation Act, La.R.S. 23:1021 et seq., Company and Contractor agree that all Jobs performed by Contractor and its employees pursuant to this Agreement are an integral part of and are essential to the ability of Company to generate Company's goods, products and services for purposes of La.R.S. 23:1061A(1). Company and Contractor agree that Company is the principal or statutory employer of Contractor's employees for the purposes of La.R.S. 23:1061A(3) irrespective of Company's status as the statutory employer or special employer (as defined in La.R.S. 23:1031C) of Contractor's employees, Contractor shall remain primarily responsible for the payment of Louisiana Worker's Compensation benefits to its employees, and shall not be entitled to seek contribution for any such payments from Company.

2.3 Contractor Warranties & Performance Standards

2.3.1 Warranties. Contractor warrants that it is qualified and able to perform the Jobs under this Agreement, has obtained, or will seek to obtain all required approvals, permits, certification and licenses necessary to perform such Jobs and will perform the Jobs in a safe, good and workmanlike manner in accordance with the accepted standards of its profession and with good oilfield practice and standards, and in compliance with all applicable Regulations and Laws. Contractor further warrants that for each Job performed under this Agreement, the Job will be completed within one (1) year from the time Contractor obtains permit approval for such Job, and Contractor will diligently pursue obtaining all necessary permit approvals with respect to the Jobs to be performed under this Agreement promptly after approval of this Agreement by entry of a final order by the Bankruptcy Court in the Bankruptcy Case. Additionally, Contractor warrants that upon completion of all Services (as defined in **Exhibit "A"**) with respect to a Lease or ROW, Contractor shall file with BOEM, BSEE and any other governmental authority having jurisdiction, such forms and/or documentation as required by any such governmental entity in order that such governmental entity can confirm that the Services have been properly performed and no further P&A Obligations associated with such Lease or ROW is required.

2.3.2 Assignable Warranties. For goods supplied by Contractor's subcontractors, vendors, or suppliers, Contractor shall obtain, to the extent reasonably possible, assignable warranties from its subcontractors, vendors, and suppliers. Whatever warranty is obtained, however, shall be assigned to Company.

2.3.3 Goods. Contractor warrants that Contractor-manufactured goods, materials or products by Contractor (collectively, "Goods") will be free from all claims, liens or encumbrances, will be free from defects in design, material and workmanship for a period of one (1) year from the date of delivery to Company and will be fit for the use intended, but consumables shall not be warranted beyond their shelf life. Contractor warrants that it will not exclude or modify any express warranties which would otherwise attach to all Goods or waive any remedy available to Company or Contractor.

2.3.4 Rental Equipment. Contractor warrants that rental equipment provided will be in good working order and condition, free from defects in design, material and workmanship and fit for the intended use. Title to all rental equipment provided by Contractor shall remain

with Contractor, and it shall be Contractor's obligation to remove all rental equipment from the well or other work site within a reasonable time following completion of the use thereof under this Agreement.

SECTION 3. SITE CONTROL, ACCESS TO SITE, AND HEALTH AND SAFETY RULES

3.1 Company may, at its discretion, require that personnel who enter a Company-controlled work site but are not covered by an active service agreement sign the following: (a) Boarding Agreement or (b) Waiver or similar document that contains release, indemnity, insurance, or other provisions that vary from the terms of this Agreement. In such a case, this Agreement shall control.

3.2 Only the authorized persons working for Contractor or its subcontractors shall be permitted to enter any work site where Contractor may be working. Contractor shall take such steps as are reasonably necessary to prevent unauthorized persons from entering such work site, including, without limitation, spouses and/or children, friends or acquaintances of authorized persons.

3.3 Contractor shall apply its own policies concerning health and safety, including matters related to drugs, alcohol, firearms and terrorism awareness except where Company's policies are stricter. The stricter policy shall then apply. By written notice and without any liability to Contractor, Company may suspend work if Company has a reasonable belief that Contractor or its subcontractors has created a health, safety, environmental, or performance threat.

SECTION 4. SAFETY AND ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS)

API'S RECOMMENDED PRACTICE 75 (RP75) FOR DEVELOPMENT OF A SAFETY AND ENVIRONMENTAL MANAGEMENT PROGRAM FOR OFFSHORE OPERATIONS AND FACILITIES

In October, 2010, BOEM (or its predecessor agency) issued a Workplace Safety Rule requiring offshore oil and gas operators to develop and maintain a Safety and Environmental Management System (SEMS). A SEMS is a comprehensive management program for identifying, addressing and managing operational safety hazards and impacts, with the goal of promoting both human safety and environmental protection.

In accordance with 30 CFR 250 Subpart S (SEMS) and API RP 75, the practice is intended to aid in the development of a management program designed to promote safety and environmental protection during the performance of offshore oil and gas operations. By developing a SEMS program, owners and operators will formulate policies and objectives concerning safety hazards and environmental impacts over which they can control. Operators expect contractors to provide safe and reliable equipment, as well as trained employees who are familiar with offshore oil and gas operations.

It is recommended that each Owner/Operator have a safety and environmental management program for their personnel/contractors. The Owner and Operator require that the Compliance and Bridging Agreements are properly documented and will be sent via e-mail for review and execution. If SEMS is not in place, *no Job shall commence unless the SEMS and API RP 75 Bridging Agreement Between Company and Contractor is fully executed and returned to Company, and Contractor's Certificate of Insurance has been received*.

Upon approval of this Agreement by entry of a final order by the Bankruptcy Court in the Bankruptcy Case, Company and Contractor will have executed such documents and will take all reasonable steps to obtain such governmental approvals of Contractor's SEMS program as may be necessary in order that Contractor can perform all of the operations and activities provided for in this Agreement.

SECTION 5. FORCE MAJEURE

5.1 **Definition of Force Majeure Event**. "Force Majeure Event" means acts of God, floods, blizzards, ice storms, thaws, named tropical storms, and hurricanes; insurrection, terrorism, revolution, piracy, and war; strikes, lockouts, and labor disputes; federal or state laws; ordinances, standards, rules and regulations of any governmental or public authorities having or asserting jurisdiction over the premises of either or both Parties; inability to procure material, equipment, or necessary labor despite reasonable efforts; or similar causes (except financial) beyond the control of the affected Party and which, through the exercise of diligent effort, such Party cannot overcome.

5.2 **Excusable Force Majeure Events**. Either Party shall be excused from complying with the terms and conditions of this Agreement if, to the extent, and for as long as, such Party's compliance is delayed or prevented by a Force Majeure Event. A Force Majeure Event shall not excuse performing duties that are unrelated to the Force Majeure Event, including, without limitation, performing indemnity obligations and discharging financial obligations.

5.3 **Notice of Force Majeure Events**. If a Party is rendered unable, wholly or in part, by a Force Majeure Event to perform, that Party shall give written notice detailing such Force Majeure Event to the other Party as soon as possible, but no later than seventy-two (72) hours after the commencement of such Force Majeure Event.

5.4 **Termination for Extended Force Majeure Events**. If a Force Majeure Event continues without interruption for ninety (90) days at any given Job site, either Party may cancel the applicable Job by giving written cancellation notice to the other Party.

SECTION 6. DEFAULT.

6.1 **Notice of Default and Opportunity to Cure**. If either Party fails to perform its obligations or otherwise violates material terms or conditions of this Agreement with respect to any Job(s) and such default continues for a period of thirty (30) days after receipt of a written notice describing the default, then the non-defaulting Party may terminate, at its option, (a) this Agreement, or (b) the particular Job(s) under which the default(s) arose. A Party may terminate immediately for fraud, intentional misconduct, gross negligence, or other actions so substantial that it impairs the Job, and, in such case, the opportunity to cure shall not apply.

6.2 **Company Termination for Contractor's Uncured Default**. If Company terminates all or part of Job because of Contractor's uncured default, Company may procure goods and/or services reasonably required to complete the Job, and Contractor shall be liable to Company for the reasonably incurred costs for such similar items in excess of the Job price shown on **Exhibit "A"**. Company may require Contractor to transfer title and deliver to Company any completed services or purchased goods which have been delivered. In addition, Contractor may retrieve any rented items after Company has procured replacements. Contractor shall continue performance to the extent not terminated.

6.3 **Contractor Termination for Company's Uncured Default**. If Contractor terminates all or part of a Job because of Company's uncured default, Contractor shall receive (a) the Turnkey Job Price for such terminated Job, whether completed or partially completed, and (b) the Incentive Fee, prorated based upon the ratio of the value of the Turnkey Job Price of the terminated Job to the total aggregate Turnkey Job Prices.

6.4 **Liquidated Damages for Contractor's Default**. If at any time Contractor defaults in its performance of any Job or under this Agreement and Company secures similar services or equipment to complete the Job under this Agreement by either its own personnel or a third party, it is expressly understood and agreed that Contractor's full financial obligation to Company for completion of the Job (including all out of pocket expenses incurred by Company) shall not exceed the greater of (a) the Turnkey Job Price for such Job or (b) the total price and cost that

Company would have paid and incurred for the Job had Contractor not defaulted and instead properly completed such Job. Nothing in this Section 6.4 shall affect or limit Contractor's liability for damage to any property or injury to any person.

SECTION 7. BODILY INJURY, PERSONAL INJURY, ILLNESS, AND DEATH.

7.1 "Personal Claims/Losses" means all claims and/or losses of all kinds and descriptions concerning bodily injury, personal injury, illness, and death, included are all claims and/or losses for the above regardless of how such claims and/or losses may be characterized, including, without limitation, damages of all kinds and descriptions, liabilities of all kinds and descriptions, losses of all kinds and descriptions, demands of all kinds and descriptions, liens, privileges and other encumbrances of all kinds and descriptions, causes of action of any kind or description (including actions in rem or in personam, at law, in equity or in admiralty), obligations of any kind or description, costs of any kind or description, judgments of any kind or description, interest of any kind or description, and awards of any kind or description, whether created by law, contract, tort, voluntary settlement, arbitration, mediation or otherwise, including all such claims that might be brought by (or the losses suffered by) spouses, heirs, survivors or legal representatives, successors, and assigns. This definition applies to the following two subsections.

7.2 **Definitions of "Company Group" and "Contractor Group"**. Company, its subsidiaries, affiliated and related companies, and its and their working interest owners, co-lessees, co-owners, predecessors in title, contractors and subcontractors (except for Contractor), and the agents, directors, officers, and employees or any one or more of the foregoing named or described parties are hereinafter all individually and collectively referred to as "Company Group". Contractor, its subsidiaries, affiliated and related companies, and its subcontractors and the agents, directors, officers, and employees of any one or more of the foregoing named or described parties are hereinafter all individually and collectively referred to as "Contractor Group". "Third Parties" include any person or entity other than a member of Company Group or Contractor Group.

7.3 **Contractor Indemnifies Company Group for Personal Injury Losses Suffered by Contractor Group**.

For all Personal Claims/Losses arising out of or connected with the Jobs, Contractor agrees to be responsible for and indemnify Company Group against all such Personal Claims/Losses suffered by any member(s) of Contractor Group even if the sole, joint, comparative, or concurrent negligence, fault (including breach of contract, warranty or statute) or strict liability of any members of Company Group or the unseaworthiness of any vessel caused, in whole or part, such Personal Claim/Loss.

7.4 **Company Indemnifies Contractor Group for Personal Injury Losses Suffered by Company Group**.

For all Personal Claims/Losses arising out of or connected with the Jobs, Company agrees to be responsible for and indemnify Contractor Group against all such Personal Claims/Losses suffered by any member(s) of Company Group even if the sole, joint, comparative, or concurrent negligence, fault (including breach of contract, warranty or statute) or strict liability of any members of Contractor Group or the unseaworthiness of any vessel caused, in whole or part, such Personal Claim/Loss.

7.5 **Definition of Claim, Claims, Loss, and Losses Related to Property Matters**.

"Property Claims/Losses" means all claims and/or losses of all kinds and descriptions concerning property damage, including total or partial loss, temporary or permanent loss of use. Included are all claims and/or losses for the above regardless of how such claims and/or losses may be characterized, including, without limitation, damages of all kinds and descriptions, liabilities of all kinds and descriptions, losses of all kinds and descriptions, demands of all kinds and

descriptions, liens, privileges and other encumbrances of all kinds and descriptions, causes of action of any kind or description (including actions in rem or in personam, at law, in equity or in admiralty), obligations of any kind or description, costs of any kind or description, judgments of any kind or description, interest of any kind or description, and awards of any kind or description, whether created by law, tort, voluntary settlement, arbitration, mediation or otherwise, including all such claims that might be brought by (or the losses suffered by) spouses, heirs, survivors or legal representatives, successors, and assigns.

7.6 Except as specifically provided for otherwise in Section 7.9 for all Property Claims/Losses arising out of or connected with the Jobs, Contractor agrees to be responsible for and indemnify Company Group against all such Property Claims/Losses suffered by any member(s) of Contractor Group even if the sole, joint, comparative, or concurrent negligence, fault (including breach of contract, warranty or statute) or strict liability of any member(s) of Company Group or the unseaworthiness of any vessel caused, in whole or in part, such Property Claim/Loss.

7.7 Except as specifically provided for otherwise in Section 7.9 for all Property Claims/Losses arising out of or connected with the Jobs, Company agrees to be responsible for and indemnify Contractor Group against all such Property Claim/Losses suffered by any member(s) of Company Group even if the sole, joint, comparative, or concurrent negligence, fault (including breach of contract, warranty or statute) or strict liability of any member(s) of Contractor Group or the unseaworthiness of any vessel caused, in whole or in part, such Property Claim/Loss.

7.8 **Additional definitions and provisions**. The terms "Claims/Losses" and "Claim/Loss" include Personal Claims/Losses and Property Claims/Losses. The phrase "Be Responsible For And Indemnify" means that specified Party shall assume responsibility for the specified claims/losses and acts/omissions and shall protect, indemnify, defend and hold harmless the specified Party, person or group from and against the specified claim/losses and acts/omissions. **EXPRESS NEGLIGENCE RULE: BOTH PARTIES AGREE THAT WITH RESPECT TO THIS SECTION 7, THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE, WHICH IS A REQUIREMENT THAT AN AGREEMENT EXPRESSLY STATES, IN A CONSPICUOUS MANNER TO AFFORD FAIR AND ADEQUATE NOTICE, THAT IT HAS PROVISIONS REQUIRING ONE PARTY TO INDEMNIFY AND TO BE RESPONSIBLE FOR THE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF THE INDEMNIFIED PARTY**.

7.9 **Indemnification; Special Situations**.

7.9.1 Company Responsibility for Contractor Equipment During Marine Transportation. Company agrees to repair, replace or adequately compensate any member(s) of Contractor Group for any of its equipment which is lost or damaged during marine transportation upon Company's vessels or Company's chartered vessels at any time after commencement of loading at the landing, until unloaded at the lands **except where such loss or damage during marine transportation or caused by the negligence, fault or strict liability of any member(s) of Contractor Group**. Company's responsibility for such loss of or damage to such equipment shall apply even if the loss or damage is due to the joint, comparative, or concurrent negligence, fault or strict liability of any member(s) of Contractor Group or the unseaworthiness of any vessel. In discharging its obligation under this section, Company shall receive credit for any proceeds due from any insurance arranged by any member of Contractor Group.

7.9.2 "Adequately Compensate" Defined. As used in this Agreement with respect to equipment or other physical property, the term "adequately compensate" for equipment or other physical property means payment of a sum of money equal to the actual sound value of such equipment or other physical property. If the Parties cannot agree on repair or replacement and cannot agree on the amount required to "adequately compensate" Contractor for the equipment or other physical property, then the matter shall be submitted to arbitration as set forth in this Agreement; provided, however, the arbitrators

shall be three qualified appraisers, one appointed by Contractor, one appointed by Company, and one appointed by the agreement of the Party appointed appraisers. The three appraisers shall determine actual sound value and then discard the high and low appraisals, and shall enter an award based on the remaining appraisal.

7.9.3 Company Operations and Property Below The Rotary Table. Contractor Group shall not be liable for, and Company agrees to protect, defend, indemnify, and hold harmless Contractor Group from and against, any and all Property Claims/Losses resulting from (a) radioactivity where the release is caused, in whole or in part, by conditions or events below the rotary table from such radiation, (b) reservoir or underground damage, including without limitation loss of oil, gas, other mineral substances, water, and the well bore, and (c) subsurface trespass or any action in the nature thereof, unless Contractor's services relate to or involve the subsurface direction of a well, even if the Property Claims/Losses are contributed to or caused by the sole, joint, comparative, or concurrent negligence, fault or strict liability of any member(s) of Contractor Group or the unseaworthiness of any vessel.

7.9.4 Company Operations To Control A Wild Well, Blowout, or Uncontrolled Flow. Contractor Group shall not be liable for, and Company agrees to protect, defend, indemnify, and hold harmless Contractor Group from and against, any and all Property Claims/Losses resulting from the performance of services to control a wild well, blowout, or any other uncontrolled flow, including, without limitation the costs of controlling such a well, even if the Property Claims/Losses are contributed to or caused by the sole, joint, comparative or concurrent negligence, fault or strict liability of any member(s) of Contractor Group or the unseaworthiness of any vessel.

7.9.5 Contractor's Indemnity of Company for Third Parties. Contractor agrees to release, protect, defend, indemnify and hold harmless Company Group from any and all Claims (including, without limitation, the cost of control and cleanup) of Third Parties to the extent caused or contributed to by the sole joint, comparative, or concurrent negligence, fault or strict liability of any member(s) of Contractor Group.

7.9.6 Company's Indemnity of Contractor. Company agrees to release, protect, defend, indemnify, and hold harmless Contractor Group from any and all Claims/Losses (including, without limitation, the cost of control and cleanup) of Third Parties to the extent caused or contributed to by the sole joint, comparative, or concurrent negligence, fault or strict liability of any member(s) of Company Group.

7.9.7 Contractor Responsibility for Hazardous Materials and Hazardous Waste. Contractor shall, at its sole expense and risk, transport and dispose of (except as otherwise mutually agreed) any spent or used chemicals or other hazardous waste or materials supplied by any member(s) of Contractor Group and used by any member(s) of Contractor Group or which has passed through the well head or below the level of the rotary table, whichever is applicable, including, without limitation, material returns from the well. Company Group shall not be liable for and Contractor agrees to release, protect, defend, indemnify, and hold harmless Company Group from any and all Claims/Losses (including, without limitation, cost of control and cleanup), incurred by any member(s) of Company Group under any statute, regulation, or otherwise arising from Contractor Group's failure to properly transport and/or dispose of such hazardous waste or materials even if such is contributed to or caused by the sole, joint, comparative, or concurrent negligence, fault or strict liability of any member(s) of Company Group or the unseaworthiness of any vessel.

7.9.8 Company Responsibility for Hazardous Materials and Hazardous Waste. With respect to the materials Contractor is not responsible for under the previous paragraph, Company shall, at its sole expense and risk, transport and dispose of (except as otherwise mutually agreed) any spent or used chemicals or their empty packages, drums, or containers or

other hazardous waste or materials even if such materials have resulted from or were incident to the performance by any member(s) of Contractor Group of this Agreement; provided, however, no provision of this Agreement shall relieve a transporter of hazardous waste of its obligation to safely transport the hazardous waste to its agreed upon destination. Contractor Group shall not be liable for and Company agrees to release, protect, defend, indemnify, and hold harmless Contractor Group from any and all Claims (including, without limitation, cost of control and cleanup), incurred by any member(s) of Contractor Group under any statute, regulation, or otherwise, arising from Company's failure to properly transport and/or dispose of such hazardous waste or materials even if such is contributed to or caused by the sole, joint, comparative, or concurrent negligence of any member(s) of Contractor Group or the unseaworthiness of any vessel.

7.9.9 Definition of Hazardous Materials and Hazardous Waste. As used in the previous two sections, the reference to Hazardous Materials and/or Hazardous Waste, whether in upper or lower case, refers to the following:

(a) any chemical, material or substance at any time defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous waste", "acutely hazardous waste", "radioactive waste", "biohazardous waste", "pollutant", "toxic pollutant", "contaminant", "restricted hazardous waste", "infectious waste", "toxic substances", or any other term or expression intended to define, list, or classify substances by reason of properties harmful to health, safety, or the indoor or outdoor environment (including harmful properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "TCLP toxicity" or "EPA toxicity" or words of similar import under any applicable environmental laws);

(b) any oil, petroleum, petroleum fraction, or petroleum derived substance;

(c) any drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources;

(d) any flammable substances or explosives;

(e) any radioactive materials;

(f) any asbestos-containing materials;

(g) urea formaldehyde foam insulation;

(h) electrical equipment which contains any oil or dielectric fluid containing polychlorinated biphenyls;

(i) pesticides; and

(j) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or which may or could pose a hazard to the health and safety of the owners, occupants, or any persons in the vicinity of any work site or to the indoor or outdoor environment.

7.9.10 Radioactive Sources; Nuclear Regulatory Commission Regulations. In the event a logging tool containing a radioactive source or a radioactive source utilized in any other manner by any member(s) of Contractor Group becomes lost or lodged in a well,

Company agrees to be responsible for all risk and costs associated with meeting all requirements of 10 C.F.R. Section 39.15(a) of the Nuclear Regulatory Commission regulations concerning retrieval and, if necessary, abandonment of lost or lodged sources and to permit Contractor to monitor the recovery and abandonment efforts.

7.9.11 Contractor Employment Related Claims. Contractor shall hold harmless, defend, and indemnify Company Group from any Claim/Loss for employment discrimination, medical, compensation, or other benefits owed to employees of Contractor Group as a result of the direct employment relationship of such individuals with Contractor Group, even if such individuals are determined to be the borrowed or statutory employees of any member(s) of Company Group.

7.9.12 Company Employment Related Claims. Company shall hold harmless, defend, and indemnify Contractor Group from any Claim/Loss for employment discrimination, medical compensation, or other benefits owed to employees of Company Group as a result of the direct employment relationship of such individuals.

7.10 **Contractual Indemnity**. Without limiting the general indemnity obligations which either Company or Contractor has specifically assumed herein, it is expressly understood and agreed that at no time shall (a) any member of Contractor Group ever be obligated to assume any contractual indemnity obligation(s) which Company has assumed toward any person, entity or corporation (regardless whether by written contract, oral agreement or otherwise) who is not specifically identified in the definition of Company Group and (b) any member of Company Group ever be obligated to assume any contractual indemnity obligation(s) which contractor has assumed toward any person, entity or corporation (regardless whether by written contract, oral agreement or otherwise) who is not specifically identified in the definition of Contractor Group.

SECTION 8. INDEMNIFICATION; SAVINGS CLAUSES.

8.1 **General**. The indemnities in this Agreement shall only be effective to the maximum extent permitted by the applicable law. If any law is enacted in any jurisdiction that limits in any way the extent of which indemnification may be provided to an indemnitee and such law is applicable to this Agreement, then this Agreement shall automatically be amended to provide that the indemnification provided hereunder shall extend only to the maximum extent permitted by the applicable law, but shall extend to such maximum extent.

8.2 **Texas**. In the event that this Agreement is interpreted under the laws of the State of Texas for a particular occurrence, then for the purposes of Title 6, Chapter 127 of the Texas Civil Practice and Remedies Code, commonly known as the Texas Oilfield Anti-Indemnity Act, the indemnity and insurance provisions of this Agreement applicable to property damage and the indemnity and insurance provisions applicable to personal injury, bodily injury, and death shall be deemed separate for interpretation, enforcement, and other purposes. All indemnities in this Agreement shall only be effective to the maximum extent permitted by the applicable law. If the laws of the State of Texas govern this Agreement, then Contractor and Company incorporate Title 6, Chapter 127 of the Texas Civil Practice and Remedies Code, and agree to the limits of that statute.

8.3 **Louisiana**. In the event that this Agreement is subject to the laws of the State of Louisiana for a particular occurrence, then for the purposes of La. R.S. 9:2780, commonly known as the Louisiana Oilfield Indemnity Act and La. R.S. 9:2780.1, for purposes of the indemnity and insurance provisions of this Agreement, Company and Contractor agree that, with respect to all work performed for Company by Contractor under this Agreement in or offshore the State of Louisiana, if any, each of them (Company and Contractor) shall pay to the other party's insurers the premium required for extending their comprehensive general liability and excess policies such that Company Group shall be an additional insured under Contractor's policies and Contractor Group shall be an additional insured under Company's policies, waiving subrogation against the other group, and with the understanding that these policies shall provide primary coverage only

for the claims in which one party has agreed to hold harmless and/or indemnify the other. No other insurance clause may be invoked by either insurer. All such insurance shall be governed by Louisiana law. Company and Contractor shall arrange to have one another billed for the full amount of the premium required by the other's insurer. Each party warrants that such premium amounts constitute the full cost of extending insurance coverage to the other (group) under this Agreement. Each party further agrees to send a copy of these extensions of coverage to the other, but failure to do so will not affect the obligation to procure or the validity of the extension of coverage. Failure of either party to pay the applicable Marcel premium shall have no bearing on the remainder of the contract terms.

SECTION 9. INDEMNITY NOT ALTERED BY THIRD PARTY OBLIGATIONS.

9.1 All indemnities in this Agreement shall apply even though an insurer or other person, or entity is required to pay for any Claim/Loss or to make a contribution to such Claim/Loss. Even though insurance may be arranged or other persons or entities may have certain liabilities or obligations, each Party remains responsible for its indemnity and other obligations under this Agreement, even if such insurer or such other person, for any reason, does not pay.

SECTION 10. DEFENSE AND PARTICIPATION.

10.1 **Contractor's Agreement**. Contractor agrees to defend Company Group against all suits or other actions brought upon any and all Claims/Losses covered by Contractor's respective indemnity obligations under this Agreement, but any member of Company Group shall have the right, at its or their option, to participate at its or their own expense in the defense of any such suits or other actions without releasing Contractor from any indemnity obligation hereunder.

10.2 **Company's Agreement**. Company agrees to defend Contractor Group against all suits or other actions brought upon any and all Claims covered by Company's respective indemnity obligations under this Agreement, but any member of Contractor Group shall have the right, at its or their option, to participate at its or their own expense in the defense of any such suits or other actions without releasing Company from any indemnity obligation hereunder.

SECTION 11. LIMITATION ON DAMAGES.

11.1 **Contractor's Limitation**. Contractor agrees that Contractor shall be responsible for and specifically agrees to release, defend, indemnify, and hold harmless Company from any and all liability for consequential, speculative, indirect, punitive, or exemplary damages or lost profits suffered by any member(s) of Contractor Group, even if such are contributed to or caused by the sole, joint, comparative, or concurrent negligence of any member(s) of Company Group.

11.2 **Company's Limitation**. Company agrees that Company will be responsible for and specifically agrees to release, defend, indemnify, and hold harmless Contractor from any and all liability for consequential, speculative, indirect, punitive, or exemplary damages or lost profits suffered by any member(s) of Company Group, even if such are contributed to or caused by the sole, joint, comparative, or concurrent negligence of any member(s) of Contractor Group.

11.3 **Claims By Third Parties**. If either Party is required by this Agreement to indemnify the other Party with respect to a claim by a Third Party and the claim by such Third Party includes consequential, speculative, indirect, punitive, or exemplary damages or lost profits, this Section 11 may not be used by the indemnifying Party to deny payment of a claim that is otherwise due and owing to the indemnified Party.

11.4 **Shipowner's Limitation of Liability Act**. This Agreement shall be deemed the Parties' personal contract, and the Parties waive all benefits of the Shipowner's Limitation of Liability Act or any other similar laws as to the other Party only. Neither the Parties nor their underwriters shall be entitled to claim the benefits of such limitation of liability statute in respect of claims asserted by either Party under this Agreement. The purpose of this Section is to secure for the Parties the

benefits of their contractual agreement so that they shall be able to enforce all indemnity obligations and insurance coverage to the maximum extent permitted by law. Nothing in this Section is intended to prevent a Party or its underwriters from asserting all applicable limitation of liability defenses for claims by persons other than the Parties or between the Parties under other agreements.

SECTION 12. INSURANCE

12.1 **Coverage**. Contractor and Company each agree to procure and maintain, at its sole expense, with solvent insurers reasonably satisfactory to each of the Parties hereto, policies of insurance in the minimum amounts outlined in **Exhibit "B"**. In addition, to the extent that either party provides either vessels or aircraft in connection with the performance of work or services under this Agreement, that Party shall procure and maintain, at its sole expense, with solvent insurers, policies of insurance in the minimum amounts outlined in **Exhibit "C"**. It is expressly understood and agreed that the insurance provisions of this Agreement, including the minimum required limits of **Exhibits "B"** and **"C"**, are intended to assure that certain minimum standards of insurance protection are afforded by Contractor and Company and that the specifications herein of any amount or amounts shall be construed to support but not in any way to limit the liabilities and indemnity obligations of Contractor and Company. Coverage under all insurance required to be carried will be primary insurance for indemnity owed by the insured party and exclusive of any other existing valid and collectible insurance of the indemnitee(s). Contractor and Company shall each insure that the insurance policies they procure shall provide that no "other insurance" clause may be invoked by any insurer. The policies will name Company Group (as herein defined), or Contractor Group (as herein defined) whichever is appropriate, as additional insureds to the extent of the contractual liability assumed under this Agreement and waive subrogation against Company Group and its Insurers or Contractor Group and its Insurers, whichever is appropriate.

12.2 Contractor and Company agree that the additional insured status and waivers of subrogation which each obtains for the other shall not protect or offer coverage to either Company Group or Contractor Group for the indemnity obligations or liabilities specifically allocated to Company Group or Contractor Group in this Agreement or for liabilities not addressed herein and that the insurance coverage which each obtains for the other does not prime, supersede or take precedence over the indemnity obligations which each owes to the other.

12.3 Contractor and Company shall each furnish certificates of insurance ("Certificate(s)") evidencing that proper insurance has been secured. Such Certificates shall be signed by authorized representatives of each insurer as additional evidence that all coverages, extensions, and limits have been obtained as required. Any Certificate issued in support of Company's or Contractor's obligations under this Agreement shall state that written notification of modification, cancellation or non-renewal of the policies shall be provided to Company or Contractor in accordance with the terms and conditions of the policies. No Job shall be commenced unless the Certificates have been furnished to Company. Until such time as Company receives the appropriate Certificate, Company may withhold payment to Contractor for any Job performed prior to the date on which Contractor should have furnished to Company a Certificate in compliance.

12.4 If operations are performed in Texas or under Texas law, both parties agree that in order to be in compliance with the Texas Anti-Indemnity Act regarding indemnification mutually assumed for the other Party's sole or concurrent negligence, each Party agrees to carry supporting insurance in equal amounts of the types and in the minimum amounts as specified in the insurance requirements listed in **Exhibits "B"** and **"C"** hereunder; and each Party agrees that the maximum amount of such supporting insurance carried in equal amounts shall be the lower of the maximum amount carried by either Party as long as such amount is in excess of the minimum amount specified.

12.5 In the event of the insolvency, bankruptcy, or failure of any insurance company subscribing to any insurance policy or in the event any insurer subscribing to any insurance policy fails, for any reason, to pay any claim (or any portion thereof) submitted by either Party hereto pursuant to

such insurance or in the event Contractor or Company fails to procure and/or maintain any required insurance, then Contractor or Company, respectively, shall be deemed to be self-insured to the fullest extent of deviation from the requirements listed in **Exhibits "B"** and **"C"**. **MOREOVER, SUCH PARTY SHALL RELEASE, DEFEND, INDEMNIFY, AND HOLD HARMLESS THE OTHER PARTY AS TO ALL CLAIMS FOR WHICH INSURANCE SHOULD HAVE BEEN PROVIDED, OR WHICH SHOULD HAVE BEEN PAID, IN WHOLE OR IN PART, INCLUDING DEFENSE COSTS, REASONABLE ATTORNEYS' FEES, AND ALL EXPENSES WHATSOEVER. IN ADDITION, THE EXISTENCE OR NON-EXISTENCE OF INSURANCE FOR ANY CLAIM ASSERTED AGAINST EITHER PARTY SHALL NOT BE DEEMED TO LIMIT THE OTHER PARTY'S LIABILITY FOR SUCH CLAIM**.

SECTION 13. PAYMENT OF BILLS; LIENS

13.1 Contractor shall timely pay any and all amounts owing to its subcontractors pursuant to any subcontractor agreement so that no lien by Contractor's subcontractors shall ever be permitted to attach to any property of Company Group, whether real or personal, and Contractor hereby agrees to defend and indemnify Company Group for any and all such claims and liens by Contractor's subcontractors which in any way arise out of or are related to any subcontractor agreement or any subcontractor-furnished service or material related thereto. During the twenty-four (24) month period following the date of invoice for any work, service or furnishing of material pursuant to a subcontractor agreement, Company shall have the right to audit the books, accounts, payrolls, and records maintained by Contractor containing information pertinent to such work.

13.2 **Conduct of Audit**. Any representative or representatives authorized by Company may inspect and audit any and all records of Contractor pertaining to the goods and services provided under this Agreement within reasonable notice. Such inspection and audit shall be conducted at Contractor's offices during normal business hours. Company shall not have the right to examine or audit Contractor's trade secrets, proprietary information, confidential data, non-reimbursable costs, profit margins, or projects done on a "turnkey" and/or "lump sum" basis when Contractor assumes all risks. Contractor will make a good faith effort to include a similar audit provision in its subcontracts. Contractor shall promptly reimburse Company for any overpayments discovered in the audit, and Contractor hereby waives any statute of limitations or laches concerning the same.

SECTION 14. TERM AND TERMINATION

14.1 This Agreement will continue in full force and effect until Contractor performs the Jobs or until the Parties mutually agree to terminate this Agreement, or either Party elects to terminate this Agreement as expressly provided for elsewhere in this Agreement.

SECTION 15. CONFLICT

15.1 The terms, conditions, and requirements of this Agreement shall prevail in the event of a conflict with the terms, conditions or requirements of any work orders, purchase orders, or agreements, oral or written, entered into between the Parties through their duly authorized representatives.

SECTION 16. NOTICES

16.1 Except as otherwise specifically provided herein, all notices, reports, bills, invoices, and other correspondence required or made necessary by the terms of this Agreement, shall be determined to have been properly served if and when sent by mail, hand delivery, courier or confirmed facsimile within the time required to the addresses hereinafter listed:

Company:

Black Elk Energy Offshore Operations, LLC.
3100 South Gessner, Suite 210
Houston, TX 77063
Attn: Jeff Jones

Telephone: (832) 379-2300
jjones@bhpllc.com

with a copy to:

Baker & Hostetler
200 S. Orange Avenue
Suite 2300
Orlando, FL 32801
Attn: Elizabeth A. Green, Esq.

with a copy to:

Argonaut Insurance Company
PO Box 469011
San Antonio, TX 78246
Attn: Kjel Brothen
kbrothen@argosurety.com

Contractor:

Montco Oilfield Contractors, LLC
842 W. Sam Houston Pkwy, Suite 500
Houston, TX 77024
Attn: Carroll Price
Title: President
Telephone: (281) 822-7157
E-Mail: carroll.price@montco.com

with a copy to:

DLA Piper LLP (US)
1717 Main Street, Suite 4600
Dallas, TX 75201
Attn: Vincent Slusher, Esq.

with a copy to:

Argonaut Insurance Company
PO Box 469011
San Antonio, TX 78246
Attn: Kjel Brothen
kbrothen@argosurety.com

SECTION 17. EQUAL EMPLOYMENT OPPORTUNITY AND DRUG TESTING

17.1 Company is, or may from time to time be, a Federal Contractor subject to compliance with various laws, executive orders and regulations regarding equal employment opportunity and drug testing. Unless Contractor is exempt from compliance, the equal opportunity clause set out in Title 41 of the Code of Federal Regulations is incorporated herein by reference to the extent applicable and made a part of this Agreement. Contractor specifically agrees that the provisions of 49 C.F.R. § 199.21, including drug testing, education, and training, will be complied with and carried out by Contractor. Contractor shall cause all of Contractor's subcontractors of every tier to likewise comply with and carry out the provisions of 49 C.F.R. § 199.21. Company may request from Contractor access to properties and records and/or certification of compliance with any such Federal regulations, which Contractor hereby agrees to provide.

17.2 Company has adopted or may hereafter adopt a drug testing program for its own employees in compliance with 49 C.F.R. Part 199. If requested by an authorized agent of Company, Contractor hereby consents to a drug screen urinalysis of Contractor's employees, and Contractor hereby agrees that any employee that refuses to consent to a drug screen or who tests positive, will be immediately removed from the operations site. Contractor shall cause all of Contractor's subcontractors of every tier to likewise consent to random drug screens and to the immediate removal of any employee of subcontractor who refuses any such drug screen or who tests positive. This consent provision does not replace Contractor's obligation under Subsection 9.1 to have its own drug testing program that complies with 49 C.F.R. Part 199.

SECTION 18. ASSIGNMENT

18.1 Contractor may not assign or sublet this Agreement, or any part hereof, without the written consent of Company, which shall not be unreasonably withheld. Any assignment or subletting permitted by Company shall not relieve Contractor of its obligations hereunder.

SECTION 19. WAIVER

19.1 No benefit or right accruing to Company or Contractor under this Agreement (or any amendment or addendum thereto) shall be deemed to be waived unless the waiver is reduced to writing, expressly refers to this Agreement, and is signed by a duly authorized representative of Company and Contractor. A waiver in any one or more instance shall not constitute a continuing waiver unless specifically so stated in such a written waiver signed by a duly authorized representative of Company and Contractor.

SECTION 20. APPLICABLE LAW

20.1 This Agreement shall be governed by and interpreted in accordance with General Maritime Law, but if General Maritime Law is not applicable, then the laws of the State of Texas shall govern (exclusive of any principles of conflicts of laws which would direct application of the substantive laws of another jurisdiction). In the event of a dispute over the meaning or application of this Agreement, it shall be construed fairly and reasonably and neither more strongly for or against either Company or Contractor.

SECTION 21. JURISDICTION

21.1 Any legal action or proceeding arising out of this Agreement shall be brought in the Bankruptcy Court, and if the Bankruptcy Court does not have (or abstains from) jurisdiction, in the courts of the State of Texas sitting in Harris County and of the United States District Court of the Southern District of Texas, and, by execution and delivery of this Agreement, each party hereby accepts for itself and (to the extent permitted by law) in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each party hereby irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions.

SECTION 22. FUTURE AMENDMENTS

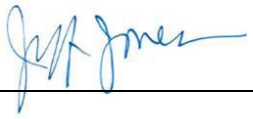
22.1 For the purpose of the application of the Texas Anti-Indemnity Act, Company and Contractor agree to negotiate in good faith to amend these terms from time to time to reflect statutory modifications and/or precedential rulings of Texas or federal courts. The Parties hereto agree that any amendments, modifications or alterations to this Agreement may only be made in writing to become effective.

SECTION 23. CORPORATE GUARANTEE

23.1 Montco Offshore, Inc. joins in the execution of this Agreement to guarantee the (i) performance by Contractor of all of its obligations under and pursuant to this Agreement and (ii) liabilities and responsibilities of Contractor under and pursuant to this Agreement.

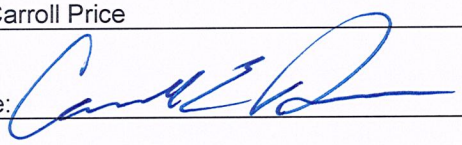
[*Remainder of Page Intentionally Left Blank*]

The Parties hereto have caused this Agreement to be executed by their duly authorized representatives, in duplicate originals, as of the day and year first above written.

BLACK ELK ENERGY OFFSHORE OPERATIONS, LLC	**MONTCO OILFIELD CONTRACTORS, LLC**
Name: Jeffrey A. Jones	Name: Carroll Price
Signature: 	Signature:
Title: Chief Restructuring Officer	Title: President
Date: 3/2/2016	Date:

MONTCO OFFSHORE, INC.
Name: Lee A. Orgeron
Signature:
Title: President and Chief Executive Officer
Date:

The Parties hereto have caused this Agreement to be executed by their duly authorized representatives, in duplicate originals, as of the day and year first above written.

BLACK ELK ENERGY OFFSHORE OPERATIONS, LLC	**MONTCO OILFIELD CONTRACTORS, LLC**
Name: Jeffrey A. Jones	Name: Carroll Price
Signature:	Signature: 
Title: Chief Restructuring Officer	Title: President
Date:	Date: 3/2/16

MONTCO OFFSHORE, INC.
Name: Lee A. Orgeron
Signature:
Title: President and Chief Executive Officer
Date:

The Parties hereto have caused this Agreement to be executed by their duly authorized representatives, in duplicate originals, as of the day and year first above written.

BLACK ELK ENERGY OFFSHORE OPERATIONS, LLC	MONTCO OILFIELD CONTRACTORS, LLC
Name: Jeffrey A. Jones	Name: Carroll Price
Signature:	Signature:
Title: Chief Restructuring Officer	Title: President
Date:	Date:

MONTCO OFFSHORE, INC.
Name: Lee A. Orgeron
Signature:
Title: President and Chief Executive Officer
Date:

EXHIBIT A

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- Montco Decommissioning Plan

DRAFT- SUBJECT TO FURTHER REVIEW
Subject to FRE 408

Number	Block	Legacy	Scope of Work Summary	Service	Gross Total	Working Interest	Net Total	Net Total per Property	Applicable Bond Numbers	Applicable Bond Reduction Amount
1	EC 160	Merit	EC 160 A; A001; A002, A003, A004, A005	Platform removal, Well Abandonment, Conductor Removal, Pipeline Abandonment and Site clearance	3,504,303	100%	3,504,303	$ 5,092,486	K08025058[1]	$ 9,579,000
			EC 160 A-Aux; A007, A008	Platform removal, Well Abandonment, Conductor Removal, Pipeline Abandonment and Site clearance	1,588,183	100%	1,588,183			
2	EC 33CF	Merit	EC 33 CF; CF002, CF003, CF004; CF005	Platform removal, Well Abandonment, Conductor Removal, Pipeline Abandonment and Site clearance	2,127,749	100%	2,127,749	$ 2,127,749	SUR0024843 K08628543	$ 1,552,000 $ 100,000
3	EI 156	Nippon	Eugene Island 156 A; Seg 12644 & 12645; A001, A002 & A003	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	1,150,000	100%	1,150,000	$ 1,150,000	SUR0032473 SUR0002588	$ 680,000 $ 2,469,250
4	GA 321	Maritech	Galveston Island 321 "A"; ROW OCS-G 28572 (Seg 17867); A002 (OCS-G 11316), A004 (OCS-G 25540), A001 (OCS-G 12503), A003 (OCS-G 12503)	Platform Prep, Platform "A" Removal, Conductor Removal & Site Clearance	1,287,500	100%	1,287,500	$ 1,287,500	SUR0032490 SUR0032524	$ 1,572,536 $ 150,000
5	GA 343	Maritech	Galveston Island 343 "A"; ROW OCS-G G11180 (Seg 8800); A002, A003, A004, A005, A006, A009, A010; A011, A001	Platform Prep, Platform "A" Removal, Conductor Removal & Site Clearance	1,493,500	25%	373,375	$ 673,375	SUR0032488	$ 693,106
			Galveston 343 "A" ; A004, A010, A011	Completion of well abandonment	1,200,000	25%	300,000			
6	GA 352	W&T	Galveston Island 352 "A"; A001	Platform Prep, Platform Removal, Conductor Removal & Site Clearance	1,350,000	67%	904,500	$ 904,500	SUR0019140[2]	$ 904,500
7	GA 424	Nippon	Galveston Island 424 C; ROW OCS-G 25329; Seg 14467; C001, C002, C004 & C005; GA 389 C003	Pipeline abandonment, Well Abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	3,540,000	100%	3,540,000	$ 3,540,000	SUR0032523 SUR0032522 SUR0032464	$ 150,000 $ 1,270,000 $ 3,040,000
8	HI 140	Nippon	High Island 140 A001, A002, A005, A007, A008, A009, A010	Conductor Removal	568,707	100%	568,707	$ 5,713,707	SUR0032466	$ 7,078,000
			High Island 140 A; Seg 6124, 17469 & 17470	Platform Prep, Platform Removal, Pipeline Abandonment and Site Clearance	2,350,000	100%	2,350,000		SUR0032521	$ 3,120,000
			High Island 140 A- AUX	Platform Prep, Caisson Removal and Site Clearance	800,000	100%	800,000			
			High Island 140 D	Platform Prep, Caisson Removal and Site Clearance	620,000	100%	620,000			
			High Island 140 E; E001	Platform Prep, Well Abandonment, Caisson Removal and Site Clearance	750,000	100%	750,000			
			High Island 140 #7, #007	Platform Prep, Caisson Removal, Conductor Removal and Site Clearance	625,000	100%	625,000			
9	MI 687/699	Maritech	Matagorda Island 687 "A"; ROW OCS-G 11698 (Seg 8863); A002	Platform Prep, Platform "A" removal, Pipeline Abandonment and Site Clearance	1,287,500	36%	469,632	$ 1,860,132	SUR0032520	$ 700,000
			Matagorda Island 699 "A"; ROW OCS-G 10099 (Seg 8438)	Platform Prep, Platform "A" (MOSS A 2 Pile) removal, Pipeline Abandonment and Site Clearance	1,390,500	100%	1,390,500		SUR0032491	$ 1,771,476
10	SM 22	Nippon	South Marsh 22 B; Seg 10203; B007, B008 & B009	Platform Prep, Caisson removal, Conductor Removal, Pipeline, Abandonment & Site Clearance	950,000	100%	950,000	$ 1,970,000	SUR0002588	$ 2,469,250
			South Marsh 22 CA; CA002, CA003, CA004, CA005	Platform Prep, Platform Removal, Conductor Removal & Site Clearance	1,020,000	100%	1,020,000		105500950	$ 1,872,000
11	SM 23	Nippon	South Marsh 23 F; F001, F002, F003 & F004	Platform Prep, Platform Removal, Well Abandonment, Conductor Removal & Site Clearance	1,000,000	100%	1,000,000	$ 3,725,000	SUR0002588	$ 2,469,250
			South Marsh 23 G; Seg 10888; G001, G002, G003, G004, G005, G006	Platform Prep, Platform Removal, Conductor Removal, Pipeline Abandonment & Site Clearance	1,925,000	100%	1,925,000		105500951	$ 3,648,000
			South Marsh 23 H; H005, H006, H007	Platform Prep, Caisson removal; Conductor Removal and Site Clearance	800,000	100%	800,000			
12	SM 34	Nippon	South Marsh 34 I; I008, I009	Platform Prep, Caisson removal, Conductor Removal & Site Clearance	1,050,000	100%	1,050,000	$ 1,050,000	SUR0002588 105500952	$ 2,469,250 $ 230,000
13	ST 184/ 185	W&T	South Timbalier 185 A; Segment 4128; A001, A002, A004, A005; A006, A008	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	2,800,000	45%	1,271,040	$ 2,726,623	SUR0019139[3]	$ 2,726,623
			South Timbalier 185 B; Segment 6517; B001	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	2,500,000	25%	617,601			
			South Timbalier 185 A #1	Well Abandonment	300,000	45%	136,183			
			South Timbalier 185 A #2	Well Abandonment	300,000	48%	144,976			
			South Timbalier 185 A #4	Well Abandonment	300,000	45%	136,183			
			South Timbalier 185 A #5	Well Abandonment	300,000	45%	136,183			
			South Timbalier 185 A #6	Well Abandonment	300,000	45%	136,183			
			South Timbalier 185 A #8	Well Abandonment	300,000	49%	148,275			
14	ST 190/203	W&T	South Timbalier 190 A; Segment 11433 & 11435; A001, A002, A003, A004, A005, A007. A008, A009	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	2,100,000	43%	910,350	$ 4,152,733	SUR0019139[3]	$ 4,152,733
			South Timbalier 190 B; Segment 9510 & 13510; B008	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	1,250,000	43%	541,875			
			South Timbalier 203 B; B001, B002, B003	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	1,625,000	35%	576,469			
			South Timbalier 190 A #1,2,5,8	Well Abandonment	1,200,000	43%	520,200			
			South Timbalier 190 A #7	Well Abandonment	300,000	74%	223,275			
			South Timbalier 190 A #3,4,6	Well Abandonment	1,450,000	43%	628,575			
			South Timbalier 190 A #9	Well Abandonment	300,000	74%	223,275			
			South Timbalier 190 B #8	Well Abandonment	350,000	43%	151,725			
			South Timbalier 203 B #1,2	Well Abandonment	700,000	35%	248,325			
			South Timbalier 203 B #3	Well Abandonment	350,000	37%	128,664			
15	WC 142	W&T	West Cameron 142 A; ROW OCS-G 14074 (Seg 10042); A001, A002	Pipeline abandonment, Platform Prep, Conductor Removal, Platform Removal, Site Clearance	750,000	100%	750,000	$ 1,350,000	SUR0002568	$ 900,000
			West Cameron 142 A #1,2	Well Abandonment	600,000	100%	600,000			
16	WC 370	W&T	West Cameron 370 A; Segment 8316 & 8317; A001, A002, A003, A004	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	1,250,000	60%	750,000	$ 1,434,000	SUR0019140[2]	$ 1,434,000
			West Cameron 370 A #1,2,3,4	Well Abandonment	1,140,000	60%	684,000			
17	WC 551/ 552	Nippon	West Cameron 551 A; ROW OCS-G 13238 (Seg 9470)	Platform Prep, Platform removal, Pipeline Abandonment and Site Clearance	2,125,000	100%	2,125,000	$ 5,230,000	SUR0002594	$ 650,000
			West Cameron 551 A AUX	Platform Prep, Platform Removal and Site Clearance	1,385,000	100%	1,385,000		SUR0032465	$ 4,095,000
			West Cameron 552 B; ROW OCS-G 28636 (Seg 17710)	Platform Prep, Platform removal, Pipeline Abandonment and Site Clearance	1,700,000	80%	1,360,000		SUR0032511	$ 1,510,000
			West Cameron 552 B001	Well abandonment	450,000	80%	360,000			
18	WC 580	Maritech	WC 580-A #A5	Well Abandonment	300,000	25%	75,000	$ 3,150,000	SUR0032489	$ 156,747
			WC 580-A #A6	Well Abandonment	300,000	25%	75,000		SUR0032519	$ 1,955,000
			WC 580-A; ROW OCS-G 16043 (Seg 11007); A002, A003, A004, A005, A006	Platform "A" removal, Conductor Removal, Pipeline Abandonment and Site clearance	3,000,000	100%	3,000,000			
19	ST 179 A-Valve [4]	W&T	ST 179 A-Valve	Pipeline abandonment, platform removal, site clearance	2,125,000	50%	1,062,500	$ 1,062,500	SUR0019139[3] K08628464	$ 272,500 $ 790,000
20	VR 119 [4]	W&T	Vermillion 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	$ 4,200,000
			Vermillion 119 G	Pipeline abandonment, platform prep, Conductor Removal, Platform Removal, Site Clearance	1,600,000	50%	800,000			
			Vermillion 119 D #1,2,3,5,6,9,10,12	Well abandonment	2,520,000	50%	1,260,000			
			Vermillion 119 D #4, 13	Well abandonment	540,000	50%	270,000			
			Vermillion 119 G #2,3,4,5,6,7,9	Well abandonment	2,245,500	50%	1,122,750			
			Vermillion 119 G #8	Well abandonment	270,000	50%	135,000			
				Total	**$ 73,153,442**			**$ 52,663,055**		

[1] This bond was previously replaced by Order of the Bankruptcy Court, and $2mm was made available to the Debtor under Merit Energy's "Financial Accommodation". Further collateral will be made available by the text of the Order or by agreement of the parties.
[2] The total penal sum for SUR0019140 is $4,800,000, only $2,238,500 of which is deployed above. The remaining $2,561,500 shall remaining outstanding under SUR0019140 and shall be applicable to lease OCS-G21683 ST299.
[3] The total penal sum for SUR0019139 is $10,800,000, only $7,151,856 of which is deployed above. The remaining $3,648,144 shall remain outstanding and shall be applicable to HI A-571 (OCS-G02391, including pipeline segment no. 5913) in the amount of $_____, HI A-370 (OCS-G 02434, including pipeline segment no. 9054 in the amount of $_____.
[4] Subject to continuing discussions amongst the Debtor, Argo and Montco.

EXHIBIT B

INSURANCE

Contractor and Company shall procure at their own expense and maintain with respect to and for the duration of this Agreement the insurance policies described below (except as otherwise indicated) with reliable insurers reasonably satisfactory to both Contractor and Company and with policy limits not less than those indicated.

Each party shall name the other Party as additional insured on all insurance policies (except Workers' Compensation) covering exposures for which one Party has agreed to indemnify the other Party. These policies shall provide primary coverage only for claims in which one party has agreed to hold harmless and/or to indemnify the other. No "other insurance" clause may be invoked by any insurer. This coverage shall apply whether or not the indemnification is valid. Each Party shall have its insurer waive its right of subrogation against the other Party on all insurance carried.

1.1. Workers' Compensation insurance in accordance with the laws of the State, Province or Territory in which the work is performed and Employer's Liability insurance with the minimum limits of $1,000,000.

1.2. Comprehensive (or Commercial) General Liability, including coverage for "Action Over" claims, Products and Completed Operations, and contractual obligations specifically assumed by Company or Contractor in this agreement. The minimum limit shall be $1,000,000 combined single limit per occurrence for Bodily Injury and Property Damage. The policy shall cover "In Rem" if operations over water.

1.3. Automobile Liability insurance covering owned, non-owned and hired automotive equipment with minimum limits of $1,000,000 combined single limit for Bodily Injury and Property Damage.

1.4. Wherever necessary for proper coverage, Workers' Compensation & Employer's Liability coverages shall include U.S. Longshoreman and Harbor Workers Act coverage including extension to the outer continental shelf, and Maritime Operations coverage including admiralty benefits, Jones Act coverage, Death on the High Seas Act coverage, Maritime Employer's Liability including wages, maintenance and transportation, and coverage for Master and Crews.

1.5. Excess (or Umbrella) Liability of not less than $5,000,000.

EXHIBIT C

INSURANCE

Contractor and Company shall procure at their own expense and maintain with respect to and for the duration of this Agreement the insurance policies described below (except as otherwise indicated) with reliable insurers and with policy limits not less than those indicated.

1.1. If any water-borne vessels are employed in the operations hereunder, the Party retaining the vessels shall carry or require owners of such vessels to carry Protection and Indemnity Insurance with minimum limits of $10,000,000 and Charterers Legal Liability and Towers Liability in the same limits wherever necessary for proper coverage.

1.2. If any aircraft are employed in the operations hereunder, the Party retaining the aircraft shall carry or require owners of such aircraft to carry Bodily Injury and Property Damage Liability, including Passenger Liability, of not less than $10,000,000 Single Limit. Such insurance shall cover owned and non-owned aircraft, including rotary wing aircraft.

Exhibit A

(First Amendment to Montco Service 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.

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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	$ 27,214,000			$ 15,214,000		

* 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 A

(Second Amendment to Montco Service Agreement)

SECOND AMENDMENT TO
AMENDED AND RESTATED TURNKEY SERVICE AGREEMENT

This SECOND AMENDMENT TO AMENDED AND RESTATED TURNKEY SERVICE AGREEMENT (this "Second Amendment") is made and entered into as of June __, 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 Second 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, the Parties have previously amended the Agreement through the First Amendment dated June __, 2016 (the "First Amendment");

WHEREAS, Company operates certain additional properties, as more fully described hereafter, for which it has P&A Obligations, and performance for such obligations are not presently covered by the Agreement as amended (the "Additional P&A Obligations"); and

WHEREAS, the Parties wish to further amend the Agreement to the extent necessary to include performance of 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 22, 23, 24, and 25) as more particularly set forth on Exhibit "A-1" to this Second Amendment.

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

1.2.6: Timing of Payments on High Island A-370 Job 22. Upon completion of High Island A-370 ("HI A-370") Job 22 listed on Exhibit "A-1" as evidenced by (i) detailed daily operations reports during actual execution, (ii) copy of End of Operations Report (EOR) for the subject well(s), and (iii) the BSEE acceptance of the EOR for the subject well(s) as assurance of work execution and regulatory acceptance of the subject work activity related to Job 22: within forty-five days of receipt of all of the documents referred to in (i), (ii), and (iii) of this Section 1.2.6 and the $4,250,000 invoice from Montco, (a) Montco shall be paid $3,028,150 by Argonaut Insurance Company ("ARGO") from ARGO bond SUR0019139, in accordance with the terms of Section 1.2.3 but only upon receipt of a rider from W&T reducing the penal sum apportioned to HI-A370 in Rider No. 2 to ARGO bond no. SUR0019139 by $3,028,150; and (b) Energy Resources Technology GOM, LLC ("ERT") shall pay Montco $796,875 and Fairways Offshore Exploration, Inc. ("Fairways") shall pay Montco $425,000.

1.2.7: Timing of Payments on High Island A-370 Job 23: Upon completion of HI A-370 Job 23 listed on Exhibit "A-1", as evidenced by (i) detailed daily operations reports during actual execution which shall include depth of cut of each pile and conductor, (ii) copy of "completion report of platform removal operations" (as submitted to BSEE), and (iii) a copy of the "completion report of site clearance verification operations" (as submitted to BSEE), for the subject work activity related to Job 23, and upon acceptance and approval thereof by BSEE (as determined by BSEE's posting of the Site Clearance Date or other means): within forty-five days of receipt of all of the documents referred to in (i), (ii), and (iii) of this Section 1.2.7 and the $4,700,000 final invoice from Montco, (a) Montco shall be paid $771,850 by ARGO from ARGO bond SUR0019139, in accordance with the terms of Section 1.2.3, but only upon receipt of a rider from W&T reducing the penal sum of ARGO bond SUR0019139 by $771,850 and removing HI-A370 from the list of properties as set forth on Schedule A – Rider No. 2 to ARGO bond. SUR0019139; (b) 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 $2,576,900; provided, however, that if W&T fails to issue such instructions, the Court may order the issuance of the instructions after notice and hearing; (c) ERT shall pay Montco $881,250 and Fairways shall pay Montco $470,000. Except as expressly set forth in Sections 1.2.6 and 1.2.7, ERT and Fairways do not assume any additional liability or obligations under this Agreement.

1.2.8 Timing of Payments on Eugene Island 118: Upon completion of the Eugene Island 118 Jobs 24 and 25 listed on Exhibit "A-1", as evidenced by (i) detailed daily operations reports during actual execution which shall include depth of cut of each pile and conductor, (ii) copy of the EOR for the subject well(s); (iii) BSEE acceptance of the EOR

for the subject wells; (iv) copy of "completion report of platform removal operations" (as submitted to BSEE), and (v) a copy of the "completion report of site clearance verification operations" (as submitted to BSEE), for the subject work activity related to Job 23, and upon acceptance and approval thereof by BSEE (as determined by BSEE's posting of the Site Clearance Date or other means): within forty-five days of receipt of all of the documents referred to in (i), (ii), and (iii) of this Section 1.2.8 and the final invoice from Montco, (a)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 $784,000; provided, however, that if W&T fails to issue such instructions , the Court may order the issuance of the instructions after notice and hearing; and (b) Fieldwood Energy, LLC ("Fieldwood") shall pay direct to Montco the amount of $261,250. Except as expressly set forth in Section 1.2.8, Fieldwood does not assume any additional liability or obligations under this Agreement. Except as expressly set forth in Sections 1.2.4, 1.2.5, 1.2.6, 1.2.7, and 1.2.8, W&T does not assume any additional liability or obligations under this Agreement.

Section 3. After giving effect to this Second 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 Second 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 Second 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 Second 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 Second Amendment.

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

[Remainder of Page Left Blank Intentionally]

This Second 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:

ENERGY RESOURCES TECHNOLOGY GOM, LLC

_____
By:
Its:

FAIRWAYS OFFSHORE EXPLORATION, INC.

_____
By:
Its:

ARGONAUT INSURANCE COMPANY

_____
By:
Its:

FIELDWOOD ENERGY LLC

_____

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.

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Black Elk Energy Offshore Operations, LLC
Exhibit A-1 – Montco Decommissioning Plan

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
22	HI A370	W&T	Well Plugging and abandonment	Well abandonment	$4,250,000.00	71.25	$3,028,125.00	$3,028,125.00	SUR0019139	$3,800,000.00
23	HI A370	W&T	Platform removal, site clearance, any remaining Jobs and Services	Platform removal, site clearance	$4,700,000.00	71.25	$3,348,750.00	$3,348,750.00	SUR0019139	$ 0.00
24	EI 118	W&T	EI 118 #2 Well Abandonment	Well abandonment		75.00				
25	EI 118	W&T	EI 118 # 2 Structure Removal, pipeline abandonment, flushing and removal of pipeline segment 12067 including both ends of the pipeline (at EI 107 and EI 118); site clearance	Platform removal, pipeline abandonment, site clearance, flushing and removal of pipeline segment 12067 including both ends of the pipeline (at EI 107 and EI 118), make safe	$1,045,000.00	75.00	$784,000.00			

* 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 Second Amendment, without limit or restriction.