COMPANY INTERVIEW

ATP Oil & Gas Corporation (ATPG)

ALBERT L. REESE JR. has served as Chief Financial Officer of ATP Oil & Gas Corporation since March 1999 and, in a consulting capacity, as Director of Finance from its inception in 1991 until March 1999. He was named Senior Vice President in August 2000. From 1986 to 1991, Mr. Reese was employed by the Harbert Corporation where he established a registered investment bank for the company to conduct project and corporate financings for energy, co-generation, and small power activities. From 1979 to 1986, Mr. Reese served as Chief Financial Officer of Plumb Oil Company and its successor, Harbert Energy Corporation. Prior to 1979, Mr. Reese served in various capacities with Capital Bank in Houston, the independent accounting firm of Peat, Marwick & Mitchell, and as a partner in Arnold, Reese & Swenson, a Houston-based accounting firm specializing in energy clients.

SECTOR – OIL & GAS DRILLING & EXPLORATION (PAQ209) TWST: Would you begin with a historical sketch of ATP Oil & Gas and then give us a picture of what you're doing now?

Mr. Reese: Since 1991 our focus has been acquiring and developing proven reserves. In most cases, these are undeveloped reserves that are very attractive economically to ATP but are not strategic to other E&P companies. Our focus has been exclusively offshore. From the start of the company through today we have focused on the Gulf of Mexico shelf. In the year 2000 we moved off the shelf into the area we call the shallow deep waters with the acquisition of our Ladybug project and two other blocks. Also in 2001 we moved into the Southern Gas Basin of the North Sea, where we are continuing this same strategy. Today we have over 50 blocks in the Gulf of Mexico and seven blocks in the North Sea.

Strategic to our business niche is we operate practically all of our properties — most of our producing properties and all of our projects that are in development. Operating gives us the flexibility to speed up or slow down a development. As a result of our strategy and our focus, we have been able to deliver six consecutive years of increases in reserves and production on the asset side, and revenues, EBITDA and discretionary cash flow on the financial side.

Highlights

ATP Oil & Gas is a leading E&P company whose focus has been exclusively offshore, mainly in the Gulf of Mexico and the Southern Gas Basin of the North Sea. CEO Albert L. Reese Jr. says that strategic to the company's business niche is that it operates nearly all of its producing properties and all projects under development. ATP has delivered six consecutive years of increases in reserves and production on the asset side, and revenues, EBITDA and discretionary cash flow on the financial side. He is confident that ATP has the financial strength and the proven ability to consistently deliver value to shareholders with a very focused and successful business model.

TWST: Is there any other company that does exactly what you do?

Mr. Reese: We are not aware of a company — particularly in the Gulf of Mexico and the North Sea — that focuses exclusively on acquiring and developing projects that already have proved yet predominately undeveloped reserves. Every other company that we are aware of has some form of either an exploration bent to it or they are merely aggregators of properties that are already producing. No one that we know of does exactly what we do.

TWST: Who originated your strategy?

Mr. Reese: T. Paul Bulmahn is the President and Founder of the company. While ATP was formed in 1991, Paul, Jerry Schlief, who is Senior Vice President responsible for acquisitions, and I, began working together in 1984 at another energy company that did a lot of Gulf of Mexico exploration. It was there that Paul recognized the business niche to go after the projects that discovered proved reserves which did not hit the original hurdle rates of an exploration company. It was from this background that ATP was formed in 1991.

TWST: When you take over something that a larger company was working on, is it that it had become uneconomic for them?

Mr. Reese: Not necessarily. There could be two or three reasons that we would acquire a property. One of the primary reasons is that an exploration company is looking for a target that, for example, is an 80-Bcf target. What they find after they drill the property is not 80 Bcf but, instead, 8 Bcf. You can't take 90% of the economics out of a project and still have that project hit the original return rates the exploration company was looking for. But the exploration company has a dilemma. There are only two things you can do with a property in the Gulf of Mexico or the North Sea after you've drilled it. You can either take that property to production or you can plug it and abandon it. Clearly, taking an 8 Bcf project to production when all

Corporate Profile

ATP Oil & Gas

Ticker (exchange)	ATPG (NASDAQ)
Price close 7/30/02	2.83
12 Months Price Range	1.47 - 12.00

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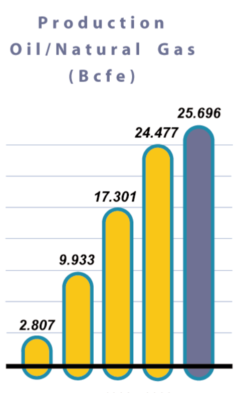
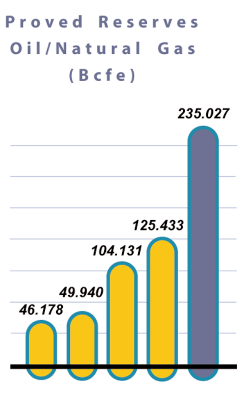
Corporate Business Description

ATP's goal is to develop already-discovered offshore petroleum reserves and to provide a high rate of return for ATP's investors from such low-risk projects.
The company achieved early success towards this goal with a strong business plan and by attracting highly experienced people. As more powerful technologies have become available, ATP increased its rate of success and expanded its holdings in the Gulf of Mexico and internationally, in the North Sea.
ATP's international operations are concentrated in the Southern Gas Basin of the North Sea. With an office outside London, ATP is aggressively expanding into this historically productive region.
Through this focused business approach, ATP has delivered six consecutive annual increases in reserves, production, revenues, EBITDA and discretionary cash flow.





Technology

ATP's success has indeed been remarkable. ATP has attracted a superior team of experienced industry professionals with strong academic backgrounds. In addition, management's decision to invest significantly in state-of the- art technologies has helped position ATP as a leader in its industry. The ability of these people to understand complex technologies combined with their years of practical oilfield experience enables ATP to look beyond traditional development methods. ATP's people consistently extend existing technology to find the economic answers demanded by modern production.

Company Highlights

1995 • As a smaller independent ATP pioneered the use of horizontal drilling at its South Timbalier 30 location in the Gulf of Mexico.

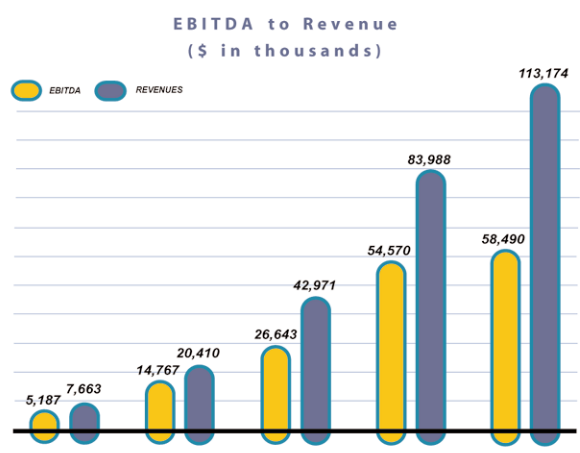
1997 • ATP, as the operator in a joint venture with Shell, completed its first subsea development at Ship Shoal 321.

1998 • ATP acquired all properties of Statoil (US) on the Outer Continental Shelf of the Gulf of Mexico.
• During a difficult time of depressed energy prices in the oil and gas industry, ATP doubled its 1997 revenue.

1999 • ATP was presented Oil and Gas World's Best Field Improvement Award for the company's technological achievement in utilizing a direct hydraulic umbilical for an eleven mile flowline for a Garden Banks project.
• ATP was ranked #21 on the Inc. 500 list of privately held companies that are most rapidly changing the face of American business. This high ranking established ATP as the fastest-growing energy company in the nation, and the fastest-growing private company of any kind in the state of Texas.

2000 • ATP began international operations with development activities in the Southern Gas Basin of the North Sea. The company opened an office in Guildford outside London, and began aggressively pursuing prospects in this historically productive oil and gas region.
• T. Paul Bulmahn, President of ATP, was named Entrepreneur of the Year 2000 in Energy & Energy Services by Ernst and Young.
• ATP was ranked #5 on the Inc. 500, rising from its ranking of #21 in 1999. Once again, ATP was the highest ranked and fastest growing energy company on the list.
• ATP was named a finalist in the 2000 Financial Times Energy Award category of Best Oil & Gas Company. The three other finalists were Shell Oil Company (The Netherlands), BG Group plc (United Kingdom), and Tyumen Oil Company (Russia).

2001 • On February 5, 2001 ATP priced its initial public offering of 6 million shares of common stock.
• ATP acquired fourteen new properties with proved reserves in the Gulf of Mexico and three properties in the Southern Gas Basin of the UK North Sea.
• ATP was approved by the Department of Trade and Industry (DTI) as a UKCS license holder and operator.
• ATP began production at Garden Banks 409, ATP's first deep water subsea development project.
• ATP was named to the 2001 Inc. 500 List of America's Fastest Growing Companies for a third consecutive year. ATP was the highest ranked and fastest growing energy company for three consecutive years.



2002 • ATP adds a new property in the UK North Sea with an out-of-round award increasing the number of blocks to seven in the North Sea. ATP holds over 50 blocks in the Gulf of Mexico.
• Garden Banks 409 (Ladybug) exceeds 2 million barrels of gross production in July 2002, ten months after commencing production.

your economics were based on 80 Bcf is probably not a smart decision. Likewise, is it smart to plug what I refer to as 8 perfectly good Bcf and give it back to the sponsoring country — whether it's the Mineral Management Service (MMS) in the US or the Department of Trade and Industry (DTI) in the UK portion of the North Sea? ATP can acquire the project from the E&P company in a win-win situation.

The advantage for the exploration company is that they no longer have any further capital commitment, allocation of personnel or abandonment commitment. In addition, we typically acquire properties by providing some form of continuing interest such as an overriding royalty interest in the property. This acquisition method allows the E&P company to keep the dot on the map. The advantage to us is, we take that property, not with 80 Bcf, but with 8 Bcf. We do not have the cost, the time or the risk of exploration. We can choose to immediately move into the development operation of that project or hold the property in our inventory of undeveloped properties for a more opportune time. It's a win/win situation for the original E&P company and ATP.

Other ways we may acquire projects is if a company has decided to exit a particular part of the Gulf of Mexico or the North Sea. For example, in 1998, we acquired all of the Outer Continental Shelf properties of Statoil when they decided to exit the Gulf of Mexico shelf. Lease expiration is also a driver for companies when selling properties. As a property approaches its lease expiration date, the owner must make a decision to develop or restore the property to its original condition and return it to the MMS or the DTI. ATP can often take these projects and begin development operations within the lease expiration parameters.

We are truly a solution provider to exploration companies in the Gulf of Mexico and the North Sea.

TWST: Is your technology quite sophisticated?

Mr. Reese: It is very sophisticated. We use some of the most sophisticated technology because we're focused on getting the reserves out of the ground as economically as we can. We began horizontal drilling as early as 1995. We are one of the top users of subsea technology on the shelf in the Gulf of Mexico. Some of our first projects in the North Sea that we will be developing employ both horizontal drilling and subsea technology.

TWST: Would there be, then, substantial barriers to entry?

Mr. Reese: Yes. The real barrier to entry today is cost. To be able to do what we do you have to have the financial strength to take a project from someone who's already explored it. In acquiring a property, you take title interest to that property and become part of the chain. But the original entity still remains part of the chain. So Texaco, for example, which owned 50% of Ladybug before we acquired it from them, has to assure itself that ATP can financially deliver what it says, not only in its operation but also in its obligations to the MMS or, in the UK North Sea, to the DTI.

TWST: Looking ahead, where are the greater opportunities for you — in the Gulf or in the North Sea?

Mr. Reese: Both. People are beginning to look at the Gulf of Mexico in a whole new light now. The new term by which they refer to it is "the deep shelf." There are a lot of deep properties that are going to be explored over the next several years in areas below 15,000 feet, and every one of those exploration opportunities could become a target for ATP. The exploration company that is looking for, say, 200 Bcf in a deep shelf project may find 20 Bcf. That may not give them the economics they were originally looking for, yet it would directly play into our business mode. In the North Sea, the British Government, or the DTI, has put forth what's referred to as a "fallow property list." These are properties that have been explored for, have proven reserves on them, but have not been developed within a six-year period. There are 300 properties on that list — not all are in the Southern Gas Basin but several are — and what we're seeing is a move toward being able to acquire those properties with the support of the government as well as the support of the companies that own them. We received two properties, Blocks 42/25-A and 43/21-A, earlier this year in February in what's referred to as an "out-of-round" sale — in the UK the lease sale is referred to as a "round." These two properties were awarded to ATP directly from the DTI.

TWST: What challenges or risks or problems could arise?

Mr. Reese: I think the challenges that face us are the same challenges that apply to all of the energy companies. We're not immune from oil and gas commodity challenges. The price of oil and gas will continue to be something that all E&P companies are faced with.

And hiring and retaining good personnel, which we have been very, very fortunate to do here at our company, both with our staff here in the US and the UK, that's always a challenge, to be able to maintain the right people. I think those are probably the two biggest challenges that are out there.

TWST: You've done very well in getting people. What is it that enables you to do it? What do you offer people?

Mr. Reese: We really offer two things. Most of the people we have here come from larger organizations. The average tenure with over half of our staff is more than 20 years in the oil and gas business, and much of that has been with larger companies. So to be able to move into a company where you are truly part of a team that is going to make something happen, really makes someone feel part of the process.

The second thing that we have been able to do — and we've done this since the inception of the company — is that every employee here is an owner in the company. Prior to our going public in 2001, every employee was an owner of this company — we had no outside ownership — and even today, our employees collectively own 71% of the company. So when you have an employee who is thinking about how to develop a project, they're thinking not only from their technical expertise, but they're also thinking as an owner of the company and what is the best way to make this property profitable for the shareholders.

TWST: Do you have enough people onboard now to do what you want to do over the next few years?

Mr. Reese: Yes, we do. We have an excellent complement of staff. We will begin adding some staff in the UK as those projects go on production, but we have all the disciplines on staff now.

TWST: Where would you reasonably expect the company to be three or four years from now? And what are some of the milestones you'll be passing along the way?

Mr. Reese: Our targets for the next three or four years will be to continue to do exactly what we've done in the past several years, focusing on our move into the North Sea and continuing our Gulf of Mexico program. As we continue into our shelf program and our shallow-deep program, there are major opportunities that are becoming available. As mergers take place there will be projects that will fall out of the combined companies that will fall directly into our business niche.

TWST: What are the company's thoughts about mergers, acquisitions, joint ventures, partnerships, etc.?

Mr. Reese: From a merger standpoint, we are constantly looking at opportunities. Quite candidly, we have looked at other companies to possibly acquire and have not found the right target at this point. But in most cases, whether we're acquiring a company or acquiring a project or a set of projects, the objective is to increase our reserve base, our production and our financial strength.

TWST: Is there any way at all that you can protect yourself from the ups and downs of things?

Mr. Reese: From the changes in oil and gas prices, you can always hedge. We have a focused hedging program. We use, in most cases, straight swaps to protect ourselves on the downside from falling oil and gas prices and, at the same time, to be able to assure ourselves of reasonable cash flow.

Since we are an acquisition company, one of the more important aspects is selecting the properties to acquire. When we acquire a project we do not have an acquisition team per se that acquires the project. When we acquire a project we have not only the acquisition personnel look at it, but also, if there's a well to be drilled, we have the drilling people look at it and the operations people become part of the acquisition process and the marketing group. We scrutinize a project from the start of it all the way through gas marketing before we even take that project into our bailiwick. As a result, we have had over a 97% success rate in bringing properties that are undeveloped at the time we acquire them to production.

TWST: Would you tell us about the expertise of a couple of your key people?

Mr. Reese: As I mentioned before, the average tenure in the energy industry for our staff exceeds 20 years. Over 85% of our staff has a college or university degree and over half of those have additional degrees or certifications.

Adrian Turner, Managing Director of our UK operation, as well as Leland Tate, Senior Vice President of our oil and gas operations in the Gulf of Mexico, have over 20 years' experience in major energy companies and both were former presidents of Arco subsidiaries. Our Vice Presidents and Managers with the company in drilling and operations have spent an enormous amount of time in the UK and on the shelf. Our entire UK team consists of UK personnel who have spent their entire careers in the energy sector in the North Sea.

TWST: Are there any large-scale economic or political factors that could seriously affect you in the next few years?

Mr. Reese: We're going to be subject to the general economy, just like anyone else in oil and gas business. The cost of operations as well as the cost of drilling has a tendency to run with oil and gas prices. Costs were much higher in the 2001 period than we are seeing right now, simply because oil and gas prices were higher then than they are right now.

Political? We tend to avoid political risk. The two countries that we're in at this point are the United States and the United Kingdom. I don't see us stepping out into any countries where there's a major political risk.

TWST: You were named to be one of the five fastest-growing companies in the country a year or two ago.

Mr. Reese: Yes. We were on the *Inc.* 500 for three consecutive years. In each case, we were the fastest-growing privately-held oil and gas company in the country. The number five ranking that you referred to was in the 2000 list when we were the fifth-fastest-growing privately held company in the nation.

TWST: Are you going to be able to maintain that pace?

Mr. Reese: Since becoming a public company in February 2001, we are no longer eligible for the *Inc.* 500. That ranking is for private companies only. But, I certainly believe that we will continue a strong growth pace as a public company. In fact, in 2001, our first year as a public company, we replaced 527% of our production, a company record, and set company records in reserves, production and revenues. Half way through 2002 we believe we will again exceed company goals and have opportunities to potentially set new records this year.

TWST: At this point do you feel that the investment community understands you as well as you would like it to?

Mr. Reese: I don't think any company expects the investment community to understand them completely. As you pointed out at the beginning of this interview, we have a different model, and I think people are still beginning to look at us, trying to understand exactly what we do. Our best movement into the investment community is to continue to do exactly what we've been doing. As I pointed out earlier, we've had six consecutive annual increases in the reserves and the production of the company; we have also had six consecutive annual increases in revenues, EBITDA and discretionary cash flow.

Once we have been public for a few years, we will begin to get a little more credit. Regardless of how old we are — we've been around for over 10 years — the investing public has a tendency to only give you credit for what you've done as a public company and not as a private company.

TWST: Could you give us the three or four best reasons why the long-term investor in particular should pay close attention to ATP?

Mr. Reese: One of the reasons that I've already pointed out is the six consecutive years to consistently deliver increases in reserves, production, revenues, EBITDA and discretionary cash flow, regardless of oil and gas prices, regardless of the economic conditions. Throughout this period, our EBITDA/revenue margin has consistently been between 62% and 70 plus%, regardless of oil and gas prices.

One of the other parameters that is important is the oil and gas reserves of the energy company. Not just the total reserves, but the reserves per share that are attributable to the shareholders. Our reserves per share — and these are just proved reserves — grew from 8.78 Mcfe per share at the end of 2000 to 11.57 Mcfe per share at the end of 2001 — and as I sit here today in 2002, those numbers are higher.

We have good financial strength. Our total debt/EBITDA ratio at the end of 2001 was only 1.7 times, our EBITDA/interest-expense-coverage was over 5.8 times, and both of those numbers are stronger today. One of the other metrics is our overall debt to proved Mcfe, which was only $0.43 at the end of 2001, and that number is stronger now.

We have the financial strength and we have the proven ability to consistently deliver with a very focused business model.

TWST: Since your company is different from a lot of others, are there any things that you as CFO have to do there that are different from what you might be doing elsewhere?

Mr. Reese: Our financing programs are geared off properties that have proved reserves, as opposed to an exploration company that has to gear its financials off of the risk of finding or not finding reserves on the capital dollars that they spend. Our capital program is designed to bring proved reserves — in most cases, undeveloped reserves — into production. I think that's quite different from an E&P company that is using a similar capital program having to factor in the risk of finding the elephant or finding dust, depending upon the success of a particular project.

TWST: Thank you. (MC)

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Each Executive who is the featured subject of a TWST Interview is offered the opportunity to include a Corporate Profile or other highlight material to be provided and sponsored by and for the company. This Interview with Albert L. Reese Jr., Chief Financial Officer, ATP Oil & Gas Corporation, is accompanied by a Corporate Profile containing corporate information.