

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

## ATP Oil & Gas Corporation (ATPG)



**T. PAUL BULMAHN** is Chairman and President of ATP Oil & Gas Corporation. Mr. Bulmahn founded ATP Oil & Gas Corporation, a Houston-based offshore development company active in the Gulf of Mexico and the North Sea, in 1991. He was Ernst & Young's Entrepreneur of the Year in Energy in 2000. He has served as Chairman of the Houston Bar Association's oil, gas and mineral law section, has chaired industry seminars on such topics as marginal offshore field development in the Gulf of Mexico, oil and gas law and e-business technology, and prior to forming ATP was the President of Harbert Oil & Gas Corporation. Earlier in his career he represented Tenneco in Washington, DC, and, prior to that time, was an Administrative Law Judge for the Railroad Commission of Texas. In May 2002, he addressed the Royal Bank of Scotland Energy Conference in London regarding the utilization by ATP of advanced technology in the North Sea.

**(SAP211) TWST: Give us a short overview of your company's operations and bring us up to date since you last spoke to us.**

**Mr. Bulmahn:** Since last year at this time when we spoke, ATP has achieved production in the North Sea to complement our Gulf of Mexico production, achieved over a 500% reserve replacement ratio in 2003, acquired potentially our largest ever acquisition in the Gulf of Mexico (Mississippi Canyon 711) and in the North Sea (Cheviot), essentially doubled production from the fourth quarter 2003 to the second quarter 2004 and completed a \$185 million financing. Looking at it globally, our company is on sound footing financially. For the first time since we went public, we have all of our current year projects fully funded with projected cash flows and cash on hand. We are able to focus on developing our oil and gas properties, and that's refreshing.

**TWST: When we last spoke, 2003 was going to be a year of development, while 2004-2006 was going to be a time of acquisitions. Is that pretty much on plan?**

**Mr. Bulmahn:** The year 2003 was not only a year of development but turned out to be one of the very best years we have ever had on the acquisition side. We now have more projects to develop in our inventory than we have ever had before. We have 19 projects with proved undeveloped reserves in our inventory. And that really gives us a wealth of opportunities going forward.

The years 2004-2006 should provide us with significant acquisition opportunities as well as development operations. We are currently pursuing a few selected acquisitions in both the Gulf of Mexico and in the North Sea. I expect that this activity will increase. Most of our 2004 developments are relatively short lead-time projects with development and production commencing the same year. The years 2005 and 2006 should see us develop some of our

larger projects such as Mississippi Canyon 711 in the Gulf of Mexico and The Tors in the North Sea.

**TWST: What is the total proved reserves for ATP Oil & Gas, their location and composition?**

**Mr. Bulmahn:** At the end of 2003, we had 303 Bcfe of proved reserves split two-thirds in the Gulf of Mexico and one-third in the North Sea. Because of the areas of our focus, we are predominately a gas company with natural gas comprising 76% of our year-end 2003 reserves.

**TWST: Is ATP Oil & Gas going to concentrate on offshore only?**

**Mr. Bulmahn:** Yes. We have a focus on offshore projects, because that's where the expertise of our people lies. We have been very successful with that approach.

**TWST: ATP is an acquisition company. Give us the concept behind ATP Oil & Gas' acquisition strategy?**

**Mr. Bulmahn:** Every oil and gas property we have has been previously explored by someone else. As such, the exploration companies take the risk, time and cost of exploration, not ATP. For various reasons such as size, timing, lease expiration, technical opportunities or shift in business focus, the owner of one of these projects may decide to divest of the property after it has been explored but before the oil and gas reserves have been developed. That is where ATP can bring value. We acquire the property, typically with proved but as yet undeveloped reserves, with a deliberate development plan and time schedule. With a focus on proved undeveloped properties, we have been very successful at first, evaluating those properties for acquisition and second, developing those properties. We have a 97% success rate since the beginning of the company in placing on production properties that were previously proved undeveloped.

**TWST: With higher oil and gas prices, are the potential sellers of oil and gas properties willing to divest of a property that they have actually drilled? Is the inventory for sale much more or much less than when gas prices were lower?**

**Mr. Bulmahn:** The array of projects available to us has increased over time instead of decreasing. We have found that regardless of prices or their direction, opportunities are available. As evidenced by the acquisitions that we made last year during a relatively high price environment, we achieved a 526% rate of growth of our reserve replacement ratio for 2003. That represents a 32% reserve increase over 2002, so we really grew our reserves very effectively.

With high oil and gas prices right now there is more drilling taking place in both the Gulf and the North Sea. Thus, there are more projects that will potentially become ATP projects.

**TWST: How much have your development costs gone up as prices have risen?**

**Mr. Bulmahn:** The development costs have risen in this environment, but not at the same rate as the rise in oil and gas prices. In the acquisition process, we require each of our projects to achieve specified hurdle rates which should make them economic despite what industry prices might be in any particular time.

**TWST: Where is your current production coming from?**

**Mr. Bulmahn:** Our production comes from both the Gulf of Mexico and the North Sea. Earlier this year, we brought on our first project in the North Sea, Helvellyn, and we are delighted with the performance of that well to date.

**TWST: What is your current production and which way is it trending?**

Our production has increased significantly this year because of our late 2003 and early 2004 development programs. For the fourth quarter of 2003 our total production was approximately 3.3 Bcfe or about 35 MMcfe per day. Production increased to 4.6 Bcfe in the first quarter of 2004 and is estimated at 6.5 Bcfe or over 70 MMcfe per day for the second quarter. We have essentially doubled our production from the fourth quarter of 2003 to the second quarter of 2004.

**TWST: Where is your production sold?**

**Mr. Bulmahn:** We sell our production generally at the wellhead to end-users or pipelines and/or transporters that will then move that production through various pipeline systems to the end-users.

**TWST: Does ATP have a very active hedging philosophy?**

**Mr. Bulmahn:** Yes. We have ensured that we can manage our revenue streams without the swing in prices through various cycles and that we have a reliable cash flow stream from our hedging activities. As of today, our average hedge price for 2004 is \$5.18 per Mcfe, and for 2005, our average hedge price is \$5.62 per Mcfe. We normally include our most recent hedge position in our earnings releases and our investor presentations, so a reader might want to check our Website, [www.atpog.com](http://www.atpog.com), for a more current number.

**TWST: Is there a differential in the price that you get for your production in the Gulf of Mexico as opposed to the North Sea?**

**Mr. Bulmahn:** There used to be a greater differential in the price between the Gulf of Mexico and the North Sea. In the North Sea, the price was very cyclical. It would soar in the winter, and it would decline in the summer. But now that the pipeline interconnect between Belgium and the United Kingdom is in place and natural gas can move both ways through that pipeline interconnect, the result is that the prices in the United Kingdom have become more stable. They have risen generally over a span of time to be very similar or, in some cases, even above the prices in the Gulf of Mexico, where there are not quite the winter/summer swings that they used to experience in the North Sea.

**TWST: What are some of the advantages you have seen and implemented for the company?**

**Mr. Bulmahn:** The opportunity to expand our business strategy into the North Sea has been one that we are very pleased with, because the development is moving forward aggressively. We are finding larger projects such as The Tors and Cheviot that fall into our niche. These larger projects mean that not only are the reserves in those projects larger, but the projects have stronger economics for us and longer lives associated with reserves. So that's the real plus to being able to operate in another environment, in the North Sea, in both the UK and the Dutch sectors.

**TWST: Could you describe the scenario for the next two to three years for ATP Oil & Gas?**

**Mr. Bulmahn:** Very strong because of that solid inventory of projects. In fact, one of the most exciting things about the company is that we have such a quality inventory of projects that are moving rapidly on the development chain to become producing properties.

**TWST: What's on the agenda for 2004?**

**Mr. Bulmahn:** In the first quarter of 2004, we placed the Helvellyn well in the United Kingdom on production and in December of 2003, Garden Banks 142 was placed on production. Garden Banks 186 came on production in early 2004, as did Matagorda Island 709 and Ship Shoal 358, and we additionally brought on some more volumes from Brazos 544 when we put compression on that platform. As you can see, we have had a number of production contributors in 2004 already that are responsible for our increase in production. For the remainder of 2004, we presently are in later development stages at West Cameron 237 and additional drilling is being performed at Ship Shoal 358. We have begun a project at Eugene Island 30/71, and we are moving a rig into West Cameron 101. We anticipate that each of these projects will be on production yet in 2004.

We also will be addressing before the end of the year projects at East Cameron 240 and West Cameron 432. We are continuing to do preliminary engineering and evaluation work at Mississippi Canyon 711 and at our projects in the North Sea. From a financial standpoint, these are projects that already have been budgeted, and we have the funds and forecasted cash flow available to bring those projects to fruition.

**TWST: Is one opportunity better than the other?**

**Mr. Bulmahn:** I would not say better or worse. I would say different. The projects will always perform differently. Some projects are capable of more rapid production than others; some have a longer life than others; some are one well developments and some are multi-well opportunities. For example, Ship Shoal 358 was originally slated for a two well program. Because of the success with the first two wells, we have expanded that development to four wells. A number of our properties, for example Brazos 544 and Garden Banks 409 (Ladybug), have exceeded their original reserve estimates.

**TWST: What is your share of each project and do you generally operate?**

**Mr. Bulmahn:** We generally own projects with a very heavy working interest. We usually average anywhere between 50% and 100% of working interest of the projects that we have. We operate over 98% of all of our properties and 100% of all of our future projects to be developed.

**TWST: Is ATP profitable?**

**Mr. Bulmahn:** We certainly hope that ATP will be very profitable in 2004. Over the last few years, ATP has not had the financial resources to really maintain the active drilling program that we have hoped for. But I believe that when we closed our new \$185 million facility that gave us an additional \$56 million of liquidity, we now have the financial strength and stability to continue our acquisitions, continue our development and increase production. The net result should be a profitable ATP.

**TWST: Do you have the balance sheet in place to accomplish your goals?**

**Mr. Bulmahn:** Absolutely, and that was resolved earlier this year when we were able to close the \$185 million facility. This facility enabled us to address our projects for the entirety of 2004 and beyond.

**TWST: What should investors expect from ATP in relation to growth — production, cash flow, reserves, etc.?**

**Mr. Bulmahn:** I think investors can expect solid performance from the company. We maintained a stability of performance through some difficult financial times, and I believe that because of the very high cash flows that we have and the way we have been able to focus on our operations this year that our performance will continue to be very strong through 2004 and into 2005. It's very exciting for me to look forward at projects like Mississippi Canyon 711 and some projects in the North Sea where we have some very strong interests — Venture, The Tors and at the Cheviot field. Those fields are all very strong.

Even without any acquisitions, we project active production growth through the next several years from the development of these fields. But, acquisitions should continue to take place for the company. We have always projected a 200% reserve replacement growth over a rolling three year period. This last year, it was 526%. That's very strong.

**TWST: Do you have the management team in place to accomplish all of your goals?**

**Mr. Bulmahn:** That's one area that I think underscores my optimism for the future. The management team at ATP is outstanding. Across the entire company, and this includes every employee in all three of our companies — the company in the US, our subsidiary in the UK, as well as our subsidiary in the Netherlands — 85% of all of our people have a University degree, and 60% of those have additional graduate degrees and certificates. And we also are very proud that our people have a great breadth and depth of practical experience. Our technical teams average greater than 22 years of practical experience in industry. Our management team is a very experienced, academically proficient team, and where that academic proficiency comes into play is that the technical people at ATP always continue educating themselves with the latest technology changes, and that enables ATP to stay on the cutting edge of what's going on in the industry and be able to apply that technology to our projects.

**TWST: What excites you the most?**

**Mr. Bulmahn:** Probably the excitement of what we are able to do going forward. There is nothing at the moment that plagues me on the downside. The upside for the company is so great because of these projects that I have articulated to you.

By the way, the project at Cheviot, which we secured in the 21st licensing round in the UK, was originally drilled in 1978 on 2-D data, and what they found by drilling a number of wells in that reservoir is that the oil in place was 232 million barrels, and there was additional gas in place of 59 Bcfe of natural gas, and that's a world-class reservoir. The original owner had that reservoir on production from 1992 to 1996 and only produced an estimated 7% of that reservoir before they plugged it. Since oil prices were relatively low in 1996 and since the field was produced into an FPSO with limited water processing and no gas processing facilities, the field was ultimately abandoned in 1996. When abandoned it was still producing greater than 6,000 barrels a day in the North Sea. ATP now has that project with 100% equity. We intend to develop Cheviot with a fixed platform to be able to handle the oil and gas production more effectively. That one project alone certainly has us enthusiastic to bring it on production. We will be shooting a proprietary 3-D program this summer with seismic processing to be evaluated later this year and early 2005. It is important to note that the reserves

from Cheviot are not yet included in our proved reserve reports. We expect to record proved reserves from Cheviot after we complete the 3-D seismic program.

**TWST: Are you happy where your share price is at?**

**Mr. Bulmahn:** We are one of the greatest values out there at this point. The comparison of our company with some of its peer group just astounds me, because we are in a grouping of companies that all have similar reserves, yet we seem to be a little bit ignored and overlooked by Wall Street as to the value of the company. Currently, our share price is only between 40% and 50% of our net asset value based on our SEC PV10 reserves. In addition, at year-end 2003 our 303 Bcfe had an SEC PV10 value of \$776 million, yet because of the way we acquire properties there is only a book value of \$189 million, which means that we have a PV10 greater than our net book value. That is a sum that is greater than \$0.5 billion that's not reflected in our financials. That is a value that extends to every shareholder, every share that's held.

**TWST: Do you have any programs to send your message to potential investors?**

**Mr. Bulmahn:** I am delighted to have the opportunity to visit with you, for example, to be able to get our message out a little bit more effectively. We also have taken a recent trip to the West Coast to visit with current investors and potential investors. We have on our schedule several conferences that we will be attending in the near future, including The Oil and Gas Conference in Denver, and have investor meetings planned into the Midwest and to the Northeast to share our most recent information.

**TWST: What sort of message would you like to convey to your investors?**

**Mr. Bulmahn:** I think the biggest reaction that we got when we were on a recent trip to the West Coast was that most of the new investors had not realized the strengths of the company that were in place to be able to deliver the company's performance over a span of time. We have the inventory of proved projects scheduled for development, the financial strength to complete the developments and the management team and experience for a successful operation. Our reception was very strong, and our stock price jumped a couple of dollars in a couple of weeks for which we were very pleased. But, it's still not anywhere close to where it should be for the value of the company.

**TWST: Thank you.**

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### EXCHANGE. NASDAQ: ATPG

**COMPANY PROFILE.** ATP Oil & Gas is engaged in the development and production of oil and natural gas in the Gulf of Mexico and the North Sea. ATP acquires and then develops properties with proved but as yet undeveloped oil and gas reserves (PUD's). Since its inception in 1991, ATP has achieved a 97% success rate (35 out of 36 properties) in converting nonproducing properties with PUD's to proved producing reserves.

In the Gulf of Mexico, ATP has leasehold and other interests in 50 offshore blocks. In the North Sea, ATP holds interests in eleven blocks in the UK sector and one block in the Dutch sector. ATP operates 98% of its properties based on their PV10 value.

At December 31, 2003, ATP's proved reserves were 303 Bcfe, 67% in the Gulf of Mexico and 76% natural gas, with a SEC pre-tax PV10 value of \$776 million. The estimates of all of ATP's proved reserves are prepared by independent third party engineers whose reports or letters are available at our web site [www.atpog.com](http://www.atpog.com).

In the first six months of 2004, ATP has placed six wells on production, five in the U.S. and one in the North Sea essentially doubling production rates since the fourth quarter 2003. ATP has an additional five properties scheduled for development operations during 2004. Cash flows from operations and the company's new CSFB facility are expected to completely fund ATP's entire 2004 acquisition and development program.

#### Acquisitions

Net reserve replacement:

# 526%

#### Proven Track Record

Proved undeveloped properties to commercial production:

# 97%



### ATP HIGHLIGHTS:

- ATP increases production over 100% during the first half of 2004.  
Second Quarter 2004: 6.6 Bcfe  
First Quarter 2004: 4.6 Bcfe  
Fourth Quarter 2003: 3.2 Bcfe
- ATP achieves first production in the North Sea from its Helvellyn well in 2004. The company's wholly-owned subsidiary, ATP Oil & Gas (UK) Limited, is the operator and owns a 50% working interest.
- With the addition of the third well at Ship Shoal 358, ATP has placed six wells on production – five in the U.S. and one in the North Sea during the first half of 2004.
- ATP improves overall liquidity with the sale in 2004 of 25% of its working interest in seven Gulf of Mexico developments for \$19.5 million, 10.56 Bcfe of proved reserves, which were 93.5% proved undeveloped resulting in a price per Mcfe of \$1.85.
- ATP secures a new CSFB \$185 million term loan following an exceptional year of acquisitions in 2003.
- ATP achieves a record 526% net reserve replacement in 2003 even though the property secured in the UKCS 21<sup>st</sup> Licensing Round, Cheviot (formerly known as Emerald), is not included in ATP's proved reserves.

### FOR MORE INFORMATION:

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