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**PROPOSED COUNSEL FOR THE DEBTORS**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

<b>IN RE:</b>	§	
	§	
	§	<b>Case No. 10-33565-SGJ</b>
	§	
<b>TRIDIMENSION ENERGY, L.P., et al.</b>	§	<b>Chapter 11</b>
	§	
<b>DEBTORS.</b>	§	<b>(Jointly Administered)</b>
	§	
	§	

**APPLICATION TO EMPLOY  
VINSON & ELKINS LLP AS COUNSEL FOR THE DEBTORS**

**TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:**

The above-referenced debtors and debtors in possession (collectively, the “Debtors”)<sup>1</sup> file this *Application to Employ Vinson & Elkins LLP as Counsel for the Debtors* (the “Application”) and in support would respectfully show as follows:

**JURISDICTION AND PROCEDURAL BACKGROUND**

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).
2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

<sup>1</sup> The Debtors include TriDimension Energy, L.P., TDE Property Holdings, LP, Axis E&P, LP, Axis Onshore, LP, Axis Marketing, LP, Ram Drilling, LP, TDE Operating GP LLC and TDE Subsidiary GP LLC.

3. On May 21, 2010 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”), thereby commencing the above-captioned bankruptcy cases (the “Cases”).

4. Since the Petition Date, the Debtors have continued to operate and manage their businesses as debtors in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

5. As of the date hereof, an official committee of unsecured creditors has not yet been appointed in the Cases.

## **STATEMENT OF FACTS**

### **The Debtors and Their Business**

6. TDE Operating GP LLC, a Delaware limited liability company (the “General Partner”) is the general partner of TriDimension Energy, L.P., a privately held Delaware limited partnership (“TriDimension”). TriDimension and its five direct operating subsidiaries, TDE Property Holdings, LP, Axis E&P, LP, Axis Onshore, LP, Axis Marketing, LP, and Ram Drilling, LP, each a Louisiana partnership in commendam (collectively, the “TriDimension Subsidiaries”), are engaged in the acquisition, development, exploration, production, and sale of oil and natural gas. TDE Subsidiary GP LLC, a Delaware limited liability company (“Subsidiary GP”), is the general partner of each of the TriDimension Subsidiaries. Each of General Partner, Subsidiary GP, TriDimension, and the TriDimension Subsidiaries is a Debtor.

7. The Debtors lease approximately 165,268 net acres of oil and gas property. The Debtors’ principal place of business is in Dallas, Texas and their operating properties are located in various portions of Louisiana and Mississippi. The Debtors have proven reserves of approximately 5.1 million barrels of oil based on fourth quarter 2009 data.

8. The Debtors are lessees under oil and gas leases and are parties to certain operating agreements, farmout agreements, joint venture agreements, gas marketing agreements, gas transportation agreements, and other agreements.

9. The Debtors' current organizational structure is the result of a business acquisition that was completed in April 2008. As a result of that transaction, (i) General Partner owns a .01% general partnership interest in TriDimension, (ii) TriDimension currently owns all of the membership interests in Subsidiary GP and a 99.99% limited partnership interest in each of the TriDimension Subsidiaries, and (iii) Subsidiary GP owns a .01% general partnership interest in each of the TriDimension Subsidiaries.

#### **Secured Debt**

10. TriDimension is the borrower under that certain Loan Agreement dated April 23, 2008 (as amended from time to time, the "Loan Agreement"), by and among TriDimension, as borrower, the TriDimension Subsidiaries, as guarantors, Amegy Bank, N.A. ("Amegy"), as administrative agent, and the other lenders from time to time party thereto (together with Amegy, the "Secured Lenders").<sup>2</sup> The aggregate principal amount of the advances currently outstanding under the Loan Agreement is approximately \$37.5 million. Each of the TriDimension Subsidiaries has guaranteed the obligations of TriDimension under the Loan Agreement.

11. Amegy was also the hedge provider with respect to certain hedge transactions in effect under that certain ISDA Agreement dated as of June 7, 2006 between Amegy and TriDimension (the "Hedges"). On May 7, 2010, TriDimension and Amegy mutually agreed to terminate and unwind the Hedges in order for TriDimension to gain the benefit of certain favorable changes in commodity prices and prevent greater anticipated indebtedness due to

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<sup>2</sup> The lenders that are currently parties to the Loan Agreement are Amegy, BMO Capital Markets Financing, Inc. and Union Bank, N.A.

commodity price changes over the upcoming summer months. Ultimately, the Hedges were terminated and unwound, which resulted in a settlement claim of approximately \$5.6 million and the Secured Lenders assert such amounts are secured *pari passu* with the remaining amounts outstanding under the Loan Agreement and accrue interest at the same rates.

12. The Debtors granted the Secured Lenders liens on substantially all of the Debtors' assets and, on information and belief, such liens have been filed of public record. In addition, TriDimension has pledged to the Secured Lenders TriDimension's rights, title and interest in the equity of each of the TriDimension Subsidiaries.

### **Trade Creditors**

13. In the ordinary course of business, the Debtors utilize an assortment of vendors, including drilling contractors, labor and repair contractors, parts and equipment suppliers, pipeline companies, heavy machinery and equipment lessors, hydrocarbon transporters, laborers, professionals, and employee benefits providers. As of the Petition Date, unsecured claims aggregate approximately \$6 million, which amount excludes deficiency claims under the Loan Agreement, if any.

14. Certain parties, including contractors and subcontractors, allege that they have provided goods and services to the Debtors, and have asserted that they have perfected statutory liens on, and security interests in, certain leaseholds and the related property and equipment (collectively, the "Trade Liens").

### **Events Leading to Chapter 11**

15. The Debtors have experienced financial difficulties as a result of the current economic environment and the historic declines in the prices of crude oil and natural gas since the summer of 2008, as well as the effects of weather related delays and difficulties affecting the Debtors' development and production activities. As a result of the current economic

environment, the Debtors have been unable to procure capital resources from other sources such as bank funding, private investment, or debt and equity markets. The combination of these factors has severely impaired the Debtors' liquidity and compelled the Debtors to commence these Cases in order to maximize the value of their assets for the benefit of their creditors and other constituencies.

### **Relationship with V&E**

16. V&E previously represented the purchaser of TriDimension and the TriDimension Subsidiaries in the April 2008 transaction. Since that transaction was accomplished, V&E has acted as company counsel to TriDimension in various corporate and litigation matters.

17. In April of 2010, the Debtors consulted and retained V&E to provide advice and representation concerning the restructuring of their financial affairs, their indebtedness to various entities, and their debtor and creditor relations generally. The Debtors, as debtors in possession, desire to employ V&E as their attorneys to (a) give the Debtors legal advice with respect to the Debtors' powers and duties as debtors in possession, the continued operation of the Debtors' business, and the management of the Debtors' property; and (b) perform all legal services for the Debtors which may be necessary throughout these Cases.<sup>3</sup>

18. The name, mailing address and telephone number of the lead attorney from V&E who will be attorney of record is:

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<sup>3</sup> The terms of the proposed retention of V&E is set forth in further detail in the Engagement Letter dated May 5, 2010 by and between V&E and the Debtors (the "Engagement Letter"), attached hereto as Exhibit "B".

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Other attorneys from V&E will participate in the representation of the Debtors as necessary.

### **RELIEF REQUESTED**

19. Pursuant to Bankruptcy Code § 327(a) and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Debtors wish to retain V&E as counsel as of the Petition Date. The Debtors have selected V&E as bankruptcy counsel because the Debtors believe that V&E is well-qualified to represent them as debtors-in-possession in these Cases. V&E has extensive experience and knowledge in the field of business reorganizations pursuant to chapter 11 of the Bankruptcy Code. V&E has expertise, experience and knowledge practicing before bankruptcy courts and has represented debtors, lenders, committees, investors, shareholders, and purchasers. V&E is a full-service legal firm with experience and expertise in other legal areas that will be affected during this reorganization. Further, over the past two months V&E has assisted the Debtors in exploring restructuring alternatives and preparing for the Debtors’ chapter 11 filings. Additionally, V&E has served as company counsel for the Debtors since 2008. As a result, V&E has become familiar with the Debtors’ business operations and financial affairs, as well as many of the legal issues that are likely to arise during the course of the Cases. If the Debtors were required to retain counsel other than V&E, they would incur additional expense and delay. Accordingly, the Debtors believe V&E will provide the most effective and efficient representation available to the Debtors.

20. The services to be provided by V&E to the Debtors include, without limitation, the following:

- a. to serve as counsel of record for the Debtors in all aspects of the Cases, to include any adversary proceedings commenced in connection with the Cases, and to provide representation and legal advice to the Debtors throughout the Cases;
- b. to assist in the formulation and confirmation of a chapter 11 plan and disclosure statement for the Debtors and/or in the sale of substantially all assets of the Debtors;
- c. to consult with the United States Trustee, any statutory committee and all other creditors and parties-in-interest concerning the administration of the Cases;
- d. to take all necessary steps to protect and preserve the Debtors' bankruptcy estates; and
- e. to provide all other legal services required by the Debtors and to assist the Debtors in discharging their duties as the debtors in possession in connection with these Cases.

21. Within the year prior to the Petition Date, the Debtors have paid V&E the sum of at least \$538,632.91 in fees (including expenses) for services rendered, including, but not limited to, services in connection with the transaction discussed above and in contemplation of, or in connection with, the Debtors' restructuring efforts, including substantial work performed negotiating, preparing and documenting these Cases. The source of such compensation was the Debtors' property. As of the Petition Date, V&E holds in its retainer account \$64,820.31, less any amounts drawn down for fees and expenses. Such funds will be held in such retainer account, subject to further Order of this Court.

22. The Debtors have agreed, subject to the Court's approval, to pay fees to V&E based upon time spent in rendering legal services at the same hourly rates that V&E charges its other clients for similar work. The hourly rates of the V&E attorneys expected to perform legal services hereunder are \$295 for the most junior associate who is likely work on these matters to

\$880 for the most senior partner who is likely to work on these matters. The standard hourly rate of the V&E paraprofessional expected to perform services hereunder range from \$105 to \$295. In addition, the Debtors have agreed to reimburse V&E for its out-of-pocket expenses for rendering such services.

23. All V&E attorneys who provide services to the Debtors will maintain billing records setting forth complete and detailed activity descriptions including a time allotment billed in increments of one-tenth of an hour. Each activity will include a description of the type and subject matter of the activity undertaken and activity descriptions will not be lumped together. Activity descriptions will be presented chronologically within each project category.

24. All compensation payable to V&E by the Debtors with respect to the post-Petition Date period will be subject to Court approval in accordance with Bankruptcy Code §§ 330 and 331, the Bankruptcy Rules, the Local Bankruptcy Rules and the Orders of this Court.

25. To the best of the Debtors' knowledge, the attorneys at V&E do not have any connection with the Debtors, the Debtors' substantial creditors, their respective attorneys and accountants, the United States Trustee, or any person employed in the Office of the United States Trustee, except as disclosed in the *Affidavit of Rodney L. Moore on Behalf of Vinson & Elkins LLP and Rule 2016(b) Disclosure*, which is attached hereto as **Exhibit A**.

26. V&E has indicated its desire and willingness to serve as bankruptcy counsel for the Debtors on the basis set forth above.

### **PRAYER**

The Debtors respectfully request that the Court enter an Order authorizing and approving the employment of V&E. The Debtors request that the Court grant them such other and further relief to which they may be justly entitled

Dated May 21, 2010

Respectfully submitted,

**TRIDIMENSION ENERGY, L.P. and its filing  
subsidiaries and affiliates**

a Delaware limited partnership

By: /s/ Jason Downie

Name: Jason Downie

Title: Executive Vice President

**CERTIFICATE OF SERVICE**

I certify that on May 24, 2010, I caused a copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Northern District of Texas, and facsimile or overnight delivery to those parties listed, and as indicated, on the attached proposed Master Service List.

/s/ Beth Lloyd

William L. Wallander, SBT #20780750

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**CERTIFICATE OF CONFERENCE**

I certify that I provided a copy of this pleading and the related proposed Order in draft forms to the Agent for the Secured Lenders. The Debtors will continue to discuss the relief requested with that party.

/s/ Clayton T. Hufft

One of Counsel