

Thomas E Lauria
State Bar No. 11998025
WHITE & CASE LLP
Wachovia Financial Center
200 South Biscayne Blvd.
Miami, FL 33131
Telephone: (305) 371-2700
Facsimile: (305) 358-5744

Robin Phelan
State Bar No. 15903000
Judith Elkin
State Bar No. 06522200
HAYNES AND BOONE, LLP
901 Main Street
Suite 3100
Dallas, TX 75202
Telephone: (214) 651-5000
Facsimile: (214) 651-5940

ATTORNEYS FOR THE DEBTORS AND DEBTORS IN POSSESSION

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

_____)	
In re)	Chapter 11 Case
)	
MIRANT CORPORATION, <u>et al.</u> ,)	Case No. 03-46590 (DML)
)	Jointly Administered
Debtors.)	
_____)	Hearing Date and Time: To Be Set

**APPLICATION FOR ENTRY OF AN ORDER PURSUANT TO
SECTION 327(e) OF THE BANKRUPTCY CODE AUTHORIZING THE
EMPLOYMENT AND RETENTION OF SKADDEN, ARPS, SLATE, MEAGHER &
FLOM LLP AS SPECIAL COUNSEL TO THE DEBTORS NUNC PRO TUNC TO THE
PETITION DATE**

TO THE HONORABLE D. MICHAEL LYNN, UNITED STATES BANKRUPTCY JUDGE:

Mirant Corporation (“Mirant”) and its affiliated debtors (collectively, the “Debtors”), as debtors in possession, file this application for entry of an order authorizing the retention of Skadden, Arps, Slate, Meagher & Flom LLP (“Skadden”) as special counsel for the Debtors (the “Application”), and respectfully represent as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider the Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), and

(O). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The relief requested in the Application is authorized under 11 U.S.C. § 327(e) and may be implemented in accordance with Fed.R.Bankr.P 2014. This Application also includes an initial disclosure required by 11 U.S.C. § 329, Fed.R.Bankr.P 2016(b), and Local Bankruptcy Rule 2016.1.

PROCEDURAL BACKGROUND

2. The Cases. Commencing on July 14, 2003, and concluding in the early morning hours of July 15, 2003, (the “Petition Date”), certain of the Debtors (collectively, the “Initial Debtors”) filed voluntary petitions in this Court for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the “Bankruptcy Code”).¹ On August 18, 2003, Mirant EcoElectrica Investments I, Ltd. and Puerto Rico Power Investments, Ltd. (collectively, the “New Debtors”) commenced chapter 11 cases under the Bankruptcy Code. The Debtors continue to manage and operate their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

3. The Cases are Jointly Administered. On July 15, 2003, this Court granted the motion for an order requesting that the bankruptcy estates of the Initial Debtors be jointly administered. On September 8, 2003, the Court entered the order approving joint administration of the cases of the New Debtors with those of the original Debtors. Also on September 8, 2003, the Court granted the motion for an order directing that orders entered in the cases of the Initial Debtors be made applicable to those of the New Debtors.

¹ Concurrently, Mirant caused two of its Canadian subsidiaries, Mirant Canada Energy Marketing, Ltd and Mirant Canada Energy Marketing Investments, Inc. (collectively, the “Canadian Debtors”) to commence plenary insolvency proceedings (the “Canadian Proceedings”) in the Court of Queen’s Bench of Alberta Judicial District of Calgary (the “Canadian Court”) pursuant to the *Companies’ Creditors Arrangement Act* (the “CCAA”). The Canadian Debtors are subject to the sole and exclusive jurisdiction of the Canadian Court.

4. The Creditors' Committees. On July 25, 2003, the Office of the United States Trustee for the Northern District of Texas announced the formation of two official unsecured creditors' committees; one for Mirant Corporation and the other for Mirant Americas Generation, LLC (collectively, the "Creditors' Committees"). The appointment lists of members of the Creditors' Committees were filed in their respective chapter 11 cases on July 25, 2003.

5. The Equity Committee. On September 18, 2003, the Office of the United States Trustee for the Northern District of Texas announced the formation of the official committee of equity security holders for Mirant Corporation (the "Equity Committee"). The appointment list of the members of the Equity Committee was filed in the chapter 11 case of Mirant Corporation on September 18, 2003.

FACTUAL BACKGROUND

The Debtors' Business Operations

6. Mirant and its direct and indirect subsidiaries comprise one of the world's largest generators and marketers of electricity. Through its direct and indirect subsidiaries, Mirant produces, sells and delivers reliable energy products and services to utilities, municipal systems, aggregators, electric-cooperative utilities, producers, generators, marketers and large industrial customers in North America, the Philippines and the Caribbean. Mirant's core business centers on the production and sale of electricity and electrical capacity (essentially the ability to produce electricity on demand). Mirant currently owns or controls more than 21,800 megawatts of electric generating capacity around the world, of which more than 18,000 megawatts is located in the United States. In 2002, Mirant produced 73 million megawatt-hours of electricity, sold 312 million megawatt-hours of electricity and sold or marketed an aggregate average of 21 billion cubic feet per day of natural gas.

7. Mirant employs in excess of 7,000 employees worldwide, of which approximately 1,100 employees are based at Mirant's corporate headquarters in Atlanta and approximately 5,900 employees are based at operating facilities. In 2002, Mirant recorded a \$542 million loss in earnings before interest, taxes and depreciation ("EBITDA") on a consolidated basis. Its 2002 operating revenues were approximately \$6.4 billion.

RETENTION OF SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

8. By this Application, the Debtors seek to employ and retain Skadden as their special counsel in connection with the matters described in more detail below, nunc pro tunc to the Petition Date. Pursuant to section 327(e) of the Bankruptcy Code, the Debtors request that the Court approve the employment of Skadden as their special counsel during these chapter 11 cases.

9. Prepetition, the Debtors retained Skadden to provide legal advice in connection with the Debtors' attempts to restructure their indebtedness pursuant to exchange offers and solicitation of a prepackaged plan of reorganization (the "Plan"). Toward that end, Skadden has taken a lead role in connection with the negotiation and documentation of the various exchange offers and the Plan, as well as the transmittal of the exchange offers and the solicitation of votes in respect of the Plan. Skadden has also been instrumental in the negotiation and documentation of the Debtors' proposed debtor in possession financing facility (the "DIP Facility"). As part of these efforts, Skadden has acted as lead counsel for Mirant regarding the litigation commenced by certain holders of MAG bonds who are opposed to the granting of liens by certain subsidiaries proposed as part of the exchange offers and the Plan, styled California Public Employees' Retirements System, et al. v. Mirant Corporation, et al., Civil Action No. 20359-NC, pending in the Chancery Court of the State of Delaware (the "MAG Litigation").

Through Skadden's intense efforts in connection with the Debtors' prepetition restructuring efforts and the MAG Litigation, Skadden has developed valuable knowledge about certain matters more particularly described in the following paragraph. Given Skadden's role in the prepetition solicitation effort and the negotiation of the DIP Facility, Skadden's continued contribution relating to such prepetition services will substantially increase the efficiency of the administration of these chapter 11 cases.

10. The Debtors envision that during the chapter 11 cases, Skadden will render services or provide advice in connection with or related to (i) any remaining matters relating to the aborted negotiation, documentation and consummation of the prepetition exchange offers and prepetition Plan solicitation, (ii) the negotiation, documentation and closing of the DIP Facility, to the extent sought by the Debtors, (iii) serving as litigation counsel in connection with prosecuting and defending the Debtors in connection with the MAG Litigation, (iv) providing advice regarding the interpretation of the Mirant Mid-Atlantic LLC lease transaction documents, and (v) providing advice in connection with any amendments to the Mirant Corp. 4-year Credit Facility as may be required to extend letters of credit thereunder.

11. The Debtors believe that it is crucial that Skadden be employed in their chapter 11 cases to ensure that they can draw upon Skadden's vast knowledge regarding the matters described above. The Debtors will require Skadden to play a role in the chapter 11 cases to ensure that the Debtors are receiving as much value as possible and that none of the professionals are "reinventing the wheel." If the Court did not authorize the Debtors' employment of Skadden in their chapter 11 cases as described above, the Debtors, their estates and all parties in interest would be unduly prejudiced by the time and related expense for other counsel to familiarize themselves with the matters described above.

12. As discussed in more detail below in the “Coordination of Counsel” section, Skadden will not render any services typically performed by a debtor’s bankruptcy counsel. Among other things, Skadden will not ordinarily be involved in the interfacing with this Court nor will Skadden render services in connection with the administration of the Debtors’ chapter 11 cases. As noted above, to the extent any issues in the bankruptcy case require Skadden’s knowledge of the matters described above, the Debtors reserve the right to request Skadden’s involvement.

CONFLICTS

13. To the best of the Debtors’ knowledge, the members, counsel and associates of Skadden do not have any connection with or any interest adverse to the Debtors, their creditors, or any other party in interest, or their respective attorneys and accountants, except as set forth herein and in the annexed affidavit of J. Gregory Milmoe, a partner of Skadden (the “Milmoe Affidavit”).

14. Notwithstanding the foregoing, the Debtors hereby disclose to the Court, in connection with the representation of all of the Debtors by Skadden, that there are certain interrelationships between and among the Debtors. The Debtors do not believe, however, that their relationships to one another pose any conflict of interest in these chapter 11 cases because of their general unity of interest at all levels. Accordingly, the Debtors submit that Skadden’s representation of all the Debtors is permissible under the Bankruptcy Code and is in the best interests of all parties in interest.

COORDINATION OF COUNSEL

15. In addition to the proposed retention of Skadden, the Debtors employ a number of other counsel that are necessary to their successful and efficient resolution of these

cases. As those professionals' employment applications reflect, each of these professionals will provide services that they are uniquely qualified to provide. The Debtors and their various counsel have conferred extensively to establish a mechanism to ensure that there is no undue duplication of efforts among the various counsel, and that the estates receive the best value possible. There is no doubt that each of the counsel that the Debtors propose to employ in these cases is essential to the Debtors' chapter 11 efforts. Moreover, based on the high level of coordination among the professionals, the likelihood of undue duplication of services is minimal.

COMPENSATION

16. Prior to the Petition Date, Skadden received from the Debtors retainers of \$1 million in the aggregate for services rendered in connection with the Debtors' prepetition restructuring efforts and other matters (the "Retainer"). Such amounts have been applied to all outstanding fees and expenses incurred. A final reconciliation was completed and is set forth in the affidavit in support of this application.

17. The Debtors understand that Skadden intends to apply to the Court for allowances of compensation and reimbursement of expenses as permitted by and in accordance with applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and the Local Rules and Orders of this Court for all services performed and expenses incurred after the Petition Date.

18. Subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules and orders of the Court, the Debtors propose to pay Skadden its customary hourly rates for services rendered to entities in chapter 11 that are in effect from time to time, as set forth in the Milmoie Affidavit, and to reimburse Skadden according to its customary

reimbursement policies for entities that are in chapter 11, and submits that such rates are reasonable.

NOTICE

19. Notice of this Application has been given to the Office of the United States Trustee for the Northern District of Texas and all parties on the Limited Service List. The Debtors submit that no other or further notice need be provided.

20. No previous application for the relief sought herein has been made to this or any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request entry of an order (i) approving the Debtors' retention of Skadden as special counsel for the Debtors pursuant to Bankruptcy Code section 327(e), and (ii) granting the Debtors such other and further relief that is consistent with the foregoing.

Dated: Fort Worth, Texas
October 2, 2003

HAYNES AND BOONE, LLP
901 Main Street
Suite 3100
Dallas, TX 75202
(214) 651-5000

Robin Phelan
State Bar No. 15903000
Judith Elkin
State Bar No. 06522200
Ian Peck
State Bar No. 24013306

-and-

By /s/ Michelle C. Campbell
Thomas E Lauria
State Bar No. 11998025
Michelle C. Campbell
State Bar No. 24001828
WHITE & CASE LLP
Wachovia Financial Center
200 South Biscayne Blvd.
Miami, Florida 33131
(305) 371-2700

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DEBTORS-IN-POSSESSION

CERTIFICATE OF SERVICE

The undersigned hereby certifies that she has authorized BSI as service agent to cause to serve a true and correct copy of the foregoing Application upon all persons on the Limited Service List via first class mail, postage prepaid on the 3rd day of October, 2003.

/s/ Michelle C. Campbell