8-4-97
8.4.97
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P.C. 8-6-97
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8/6

In Reply Refer To: MS 5421
OCS-G 1670

August 4, 1997

Allied Natural Gas Corporation
Attention: Mr. D. Kent Singleton
1001 Fannin, Suite 900
Houston, Texas 77002

Dear Mr. Singleton:

As a result of a pending assignment from Elf Exploration, Inc., to Allied Natural Gas Corporation covering all of Block 293, Main Pass Area, South and East Addition, we have completed our review of the need for a supplemental bond for this lease as provided for under 30 CFR 256.61.

Because of the potential financial risk to the Government for the cost of platform removal, site clearance and plugging and abandoning wells, we now require a supplemental bond in the amount of $2,600,000, which is in addition to any other bond currently maintained in this office.

We have sent a copy of this letter to the pending Assignor informing them of this requirement. We encourage you to coordinate this supplemental bond requirement with them and agree on how this additional bonding requirement will be met. For your information and guidance, we have enclosed a copy of the supplemental bond procedures, along with the appropriate bond forms.

As the designated operator, you must contact us on or before August 22, 1997, with a proposal for meeting this supplemental bond requirement.

Please acknowledge receipt of this letter by signing, dating, and returning the duplicate to this office for our records. Please call Ms. J. B. Johnson at (504) 736-2811 should you have any questions.

Sincerely,

(Orig. Sgd.) Chris C. Oynes

Chris C. Oynes
Regional Director

Enclosures

cc: Elf Exploration, Inc.
Attention: Mr. Harry D. Martin
1000 Louisiana Street
Suite 3800
Houston, Texas 77002

JBJohnson/8-2-97

bcc: Adjudication Case File
DArmond (MS 5421)
PClancy (MS 5420)
YClark (MS 5421)
LKilday (MS 5421)
JJohnson (MS 5421)

ALLIED NATURAL GAS CORPORATION

August 15,1997

Mr. Chris C. Oynes
Regional Director
Minerals Management Service
Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, LA 70123-2394

RECEIVED
AUG 21 3 59 PM '97
MINERALS MGMT. SERVICE
GULF OF MEXICO OCS RGN
ADJUDICATION UNIT

RE: MS 5421
OCS-G 1670

Dear Mr. Oynes:

This letter shall constitute Allied Natural Gas Corporation's proposal, in response to your letter of August 4, 1997, regarding the necessity for a supplemental Plugging & Abandonment Bond for the referenced lease, in order to obtain MMS Approval of the assignment of the lease to Allied Natural Gas Corporation.

Allied proposes to post a bond in the required amount of $2,600,000, with a Treasury-Listed Surety Company serving as surety on the bond. Allied further proposes to use the new Supplemental Bond Form approved for use by the MMS, a copy of which is attached.

We await your response to this proposal. If you have any questions or comments please contact me at your convenience.

Sincerely,

D. Kent Singleton

1001 Fannin, Suite 900 • Houston, TX 77002 • Tel 713 658-1144 • Fax 713 658-8005

U.S. DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

Bond No.____________________

Amount____________________

Bond Type: ____________________

Lease No. or Area ____________________

OUTER CONTINENTAL SHELF MINERAL LESSEE'S AND OPERATOR'S SUPPLEMENTAL PLUGGING & ABANDONMENT BOND AND ACT OF SURETYSHIP

FROM: ______________________________
(Surety)

TO: Minerals Management Service
U. S. Department of the Interior

FOR: ______________________________
(Principal)

KNOW ALL MEN BY THESE PRESENTS, That for good and valuable consideration ____________________________________, (if a corporation: a Corporation incorporated in the State of __________________), domiciled and doing business in the State of __________________, County or Parish of __________________, (hereinafter Surety), a surety company certified by the U. S. Treasury as an acceptable surety on Federal bonds and listed in the current U. S. Treasury Circular No. 570, as a commercial surety undertaking a continuing guaranty, does hereby absolutely and unconditionally bind itself to the United States of America acting through and by the Minerals Management Service (MMS), or such other official designated by the Secretary of the Interior for this purpose, for the payment of all of the costs of the plugging and abandonment obligations (hereinafter "Obligations"), of:

____
(principal/lessee or operator)

____
(mailing address)

(hereinafter Principal) on the lease described in Schedule A at a cost not to exceed $________. The Surety does so undertake with respect to all Obligations, whether arising under the regulations of the Department of the Interior, or any lease, operating agreement, designation of operator or agent, storage agreement, compensatory royalty agreement, transfer of operating rights, permit, license or easement (individually and collectively referred to hereafter as "Instrument"), issued, maintained or approved under any provision of the Outer Continental Shelf Lands Act, 43 U.S.C. 1331, et seq., as amended, hereinafter referred to as the Act, or the regulations promulgated thereunder, whereunder the Principal has the right, privilege or license to conduct operations on the Outer Continental Shelf.

The Principal, as to any lease or part of a lease for which the Principal has been designated as operator or agent, in consideration for the United States agreeing to allow it to serve as operator and agent of all parties to the lease and receive compensation therefor, agrees and binds itself to fulfill on behalf of each lessee, all the Obligations and in the same manner and to the same extent as though the Principal were the lessee.

SCHEDULE A
DESCRIPTION OF LEASE(S) OR AREA IN THE OUTER CONTINENTAL SHELF

____

____

____

This Bond and the Surety's obligations and liability hereunder shall remain in full force and effect until such time as this Agreement may be canceled or otherwise terminated by the MMS by a written cancellation instrument in favor of the Surety, subject to automatic reinstatement as if no release or discharge had been granted, if at any time within three years of such cancellation any payment of any Obligation of the Principal(s) is rescinded or must be restored pursuant to any insolvency, bankruptcy, reorganization, or receivership, or should the representation of the Principal that it has paid its Obligations or performed the other Obligations of the lease in accordance with MMS specifications be materially false, and the MMS relied upon such representation in canceling the instrument.

The MMS shall agree to terminate the period of liability if the parties to the instruments, their agents, heirs, successors and assigns, fully perform the Obligations under the lease or other instruments, and leave the premises in a condition acceptable to the MMS at the termination of the lease, or upon acceptance of a replacement bond or any other Security acceptable to the MMS.

This obligation of surety shall be in full force and effect from the date of acceptance by an authorized officer of the United States, subject to the following provisions:

The Surety waives any right to notice of, and agrees that this bond shall take effect upon, execution and delivery to the MMS, without any notice of acceptance, and remain in full force and effect, notwithstanding:

1. An assignment in whole or in part, of any or all of the lease or instruments or interests therein.

2. Any modification of an instrument or obligation thereunder, whether made or effected by commitment to unit, cooperative, communitization or storage agreements; suspension of operations or production; suspensions or changes in rental, minimum royalty, or royalties; modifications of regulations or interpretations thereof; compensatory royalty agreements or payments; any mortgage, pledge or other grant of security interests in the instruments, or otherwise.

3. The termination of any instrument covered by this bond, whether the termination is by operation of law or otherwise.

4. Any neglect or forbearance of the MMS in enforcing, as against any party to the instruments, the payment of rentals or royalties or the performance of any other covenant, condition or agreement of the lease, or giving notice of or making demand with respect to nonperformance thereof.

5. Any loss Surety may suffer by reason of any law limiting, qualifying, or discharging the Principal's Obligation.

Further, the Surety agrees to remain bound under this bond as to the interests in any instrument retained by the Principal when the MMS approves a transfer of any or all of the instruments or interests therein.

In the event of any default of the Obligations under the lease, the Surety shall perform its Obligations hereunder upon the demand of the MMS. If the MMS decides to commence suit to enforce its rights, it may commence and prosecute any claim, suit, action or other proceeding against the Principal and Surety, or either of them, without the necessity of joining the lessees or any other party.

In the event that there is more than one surety for the Principal's performance of the Obligations as to the lease or other instrument, the Surety's Obligations and liability hereunder shall be on a "solidary" or "joint and several" basis along with such other guarantors or sureties.

The Surety shall give prompt notice to the MMS and the Principal of any action filed alleging the insolvency or bankruptcy of the Surety or the Principal, or alleging any violations which would result in the suspension or revocation of the Surety's charter or license to do business.

The Surety's Obligations and liabilities under this Bond shall be binding upon Surety's successors and assigns. Nothing herein shall be construed as permitting the assignment of the Surety's Obligations without the written consent of the MMS.

Signed on this ____ day of ____________, 19 ___, in the State of ____________, in the presence of:

Signature of Witness	Signature and Title of Officer of Principal
Name typed or printed	Name and title printed
Address	Business Address
Signature of Witness	Signature of Person Executing for the Surety
Name typed or printed	Name and title printed
Address	Business Address

Note: The party signing for he Surety must attach a corporate resolution and power of attorney setting forth his or her authority to undertake this obligation, pursuant to the acts of the corporate board of directors and the laws of the state of its incorporation. The corporation executing this bond as Surety and the lessee or operator, if a corporation, shall each affix their corporate seals.

MMS form 2028-A (revised May 1997)

Complies with current 30 CFR Regulations
Revisions may be required for amendments