dgs
5/22/97
LJO 5/22/97

In Reply Refer To: MS 5421
OCS-G 1670

MAY 27 1997

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

Gentlemen:

We acknowledge receipt of Outer Continental Shelf Mineral Lessee's and Operator's Bond and Act of Suretyship, Number 11141614559, in the sum of $50,000 executed on May 19, 1997, with Allied Natural Gas Corporation as principal, and Fireman's Fund Insurance Company as surety, conditioned to cover all of Block 293, Main Pass Area, South and East Addition.

This bond conforms to the requirements of the leasing and operating regulations for the submerged lands of the Outer Continental Shelf. It is effective as of the date filed, namely May 20, 1997, and has been placed of record in lease file OCS-G 1670 for future reference.

If you require further assistance, please contact Mrs. Mary H. Holmes at (504) 736-2613.

Sincerely,

(orig. sgd.) John L. Rodi

for Chuck Hopson
Chief
Leasing Activities Section

cc: Fireman's Fund Insurance Company
Attention: Ms. Cindy Ash
1999 Bryan
Dallas, Texas 75201

MHHOLMES/5-21-97

DELTA

Delta Energy Management, Inc.

Construction, Production & Royalty Management

H Dillon Murchison
Director & Executive Counsel

RECEIVED
MAY 20 3 54 PM '97
MINERALS MGMT. SERVICE
GULF OF MEXICO OCS RGN
ADJUDICATION UNIT

May 20, 1997

Minerals Management Service
Adjudications Office - Mail Stop #5421
1201 Elmwood Park Blvd
New Orleans, 70123

RE: OCS-G 1670

Ladies and/or Gentlemen:

1670

Enclosed you will find an Original and one copy of a Designation of Operator form, pursuant to which Elf Exploration, Inc. has designated Allied Natural Gas Corporation as Operator of OCS-G 9727. Also attached is an original of Operator's Bond No. 11141614559, in the amount of $50,000, issued by Fireman's Fund Insurance Company on behalf of Allied Natural Gas Corporation as Operator of OCS-G 1670 in favor of the MMS as Obligee.

Please file this Designation of Operator among the Lease File for OCS-G 1670 and process the enclosed Operator's Bond in your usual fashion.

We would appreciate it very much if you would stamp the attached copy of this letter with your date and time of receipt.

Thank you very much.

Very truly yours,

H. Dillon Murchison

HDM/nm

U. S. DEPARTMENT OF THE INTERIOR
Minerals Management Service

Bond No. 11141614559

Amount $50,000

Bond Type Lease

Lease No. or Area OCS-G 1670

OUTER CONTINENTAL SHELF MINERAL LESSEE'S AND OPERATOR'S BOND AND ACT OF SURETYSHIP

FROM: Fireman's Fund Insurance Company
(Surety)

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

RECEIVED
MAY 20 3 54 PM '97
MINERALS MANAGEMENT SERVICE
GULF OF MEXICO REGION
ADJUDICATION

FOR: Allied Natural Gas Corporation
(Principal)

KNOW ALL MEN BY THESE PRESENTS, That for good and valuable consideration Fireman's Fund Insurance Company ______, [if a corporation: a Corporation incorporated in the State of California], domiciled and doing business in the State of California , County or Parish of Marin , (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 performance of all present and future obligations of:

Allied Natural Gas Corporation
(principal/lessee or operator)
1001 Fannin Street, Suite 900, Houston TX 77002
(mailing address)

(hereinafter Principal) on the lease or leases described in Schedule A or hereafter acquired within the area described in Schedule A, at a cost not to exceed $50,000.00 . The Surety does so undertake with respect to all lease 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 for the entire leasehold 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 ON THE OUTER CONTINENTAL SHELF

All of Block 293, Main Pass Area, south and east additions, official leasing map, Louisiana Map No. 10A

CANCELLED
EFFECTIVE MAY 14 1998

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 cancelled 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 six years of such cancellation any payment 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 financial 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 cancelling 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.

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, either in whole or in part, of any or all of the leases 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 the transfer of any or all of the instruments or interests therein.

In the event of any default under the leases, the Surety shall perform the obligations of the principal 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 as to any 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.

Unless otherwise indicated under such a written cancellation instrument, the MMS's agreement to terminate or otherwise cancel this Bond shall affect only, and shall be expressly limited to, the Surety's obligation and liability to guarantee the Principal's obligations incurred, accrued, or originated after the date of such a written cancellation instrument; with Surety remaining fully obligated and liable under this Bond for any liabilities incurred, accrued, or originated prior to the date of such cancellation instrument.

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 19th day of MAY, 1997, in the State of TEXAS in the presence of:

[signature]	[signature]
Signature of Witness	Signature and Title of Officer of Principal
H. DILLON MURCHISON	Allied Natural Gas Corporation Kent P. Singleton, Pres
Name typed or printed	Name and title printed
225 BARONNE ST., SUITE 1704	1001 Fannin St., Suite 900
Address	Business Address Houston TX 77002
NEW ORLEANS, LOUISIANA 70112	Fireman's Fund Insurance Company
[signature]	Cindy Ash
Signature of Witness	Signature of Person Executing for the Surety
Michael F. Peyton	Cindy Ash - Attorney-in-Fact
Name typed or printed	Name and title printed
1999 Bryan, Dallas TX 75201	1999 Bryan, Dallas TX 75201
Address	Business Address

Note: The party signing for the 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.

GENERAL
POWER OF
ATTORNEY

F IAN'S FUND INSURANCE COMI

KNOW ALL MEN BY THESE PRESENTS: That FIREMAN'S FUND INSURANCE COMPANY, a Corporation duly organized and existing under the laws of the State of California, and having its principal office in the County of Marin, State of California, has made, constituted and appointed, and does by these presents make, constitute and appoint

--- CINDY ASH ---

DALLAS TX

its true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred in its name, place and stead, to execute, seal, acknowledge and deliver any and all bonds, undertaking, recognizances or other written obligations in the nature thereof --

and to bind the Corporation thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Corporation and duly attested by its Secretary, hereby ratifying and confirming all that the said Attorney(s)-in-Fact may do in the premises.

This power of attorney is granted pursuant to Article VII, Sections 45 and 46 of By-laws of FIREMAN'S FUND INSURANCE COMPANY now in full force and effect.

"Article VII. *Appointment and Authority of Resident Secretaries, Attorney-in-Fact and Agents to accept Legal Process and Make Appearances.*

Section 45. *Appointment.* The Chairman of the Board of Directors, the President, any Vice-President or any other person authorized by the Board of Directors, the Chairman of the Board of Directors, the President or any Vice-President may, from time to time, appoint Resident Assistant Secretaries and Attorneys-in-Fact to represent and act for and on behalf of the Corporation and Agents to accept legal process and make appearances for and on behalf of the Corporation.

Section 46. *Authority.* The authority of such Resident Assistant Secretaries, Attorneys-in-Fact and Agents shall be as prescribed in the instrument evidencing their appointment. Any such appointment and all authority granted thereby may be revoked at any time by the Board of Directors or by any person empowered to make such appointment."

This power of attorney is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of FIREMAN'S FUND INSURANCE COMPANY at a meeting duly called and held on the 7th day of August, 1984, and said Resolution has not been amended or repealed:

"RESOLVED, that the signature of any Vice-President, Assistant Secretary, and Resident Assistant Secretary of this Corporation, and the seal of this Corporation may be affixed or printed on any power of attorney, on any revocation of any power of attorney, or on any certificate relating thereto, by facsimile, and any power of attorney, any revocation of any power of attorney, or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Corporation."

IN WITNESS WHEREOF, FIREMAN'S FUND INSURANCE COMPANY has caused these presents to be signed by its Vice-President, and its corporate seal to be hereunto affixed this 25th day of January, 19 96.

RECEIVED
'97 MAY 20 3 54 PM
GENERAL SERVICE
DIV. OF ... ADJUDICATION UNIT

CANCELLED
EFFECTIVE MAY 14 1998

FIREMAN'S FUND INSURANCE COMPANY

By [signature]
Vice-President

STATE OF CALIFORNIA
COUNTY OF MARIN } ss.

On this 25th day of January, 19 96, before me personally came M. A. Mallonee to me known, who, being by me duly sworn, did depose and say: that he is Vice-President of FIREMAN'S FUND INSURANCE COMPANY, the Corporation described in and which executed the above instrument; that he knows the seal of said Corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Corporation and that he signed his name thereto by like order.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year herein first above written.

A. KRIEGER
COMM. #1045112
NOTARY PUBLIC-CALIFORNIA
MARIN COUNTY
My Comm. Expires Mar. 20, 1999

A Krieger
Notary Public

CERTIFICATE

STATE OF CALIFORNIA
COUNTY OF MARIN } ss.

I, the undersigned, Resident Assistant Secretary of FIREMAN'S FUND INSURANCE COMPANY, a CALIFORNIA Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force and has not been revoked; and furthermore that Article VII, Sections 45 and 46 of the By-laws of the Corporation, and the Resolution of the Board of Directors; set forth in the Power of Attorney, are now in force.

Signed and sealed at the County of Marin. Dated the 19th day of May, 19 97.

Loretta E. Amity
Resident Assistant Secretary

360711-FF-3-95

TO: FO
From: Chuck Hopps.
Sub: Need Site clearance estimate.

11/14/91

Dan --
Please return to me
TKs
chuck

SMALL COMPANY BONDING EVALUATION CHECK LIST

OCS-G 1670 Area/Block MP 293

Prior Pending Assignment? NO ✓ YES ______

Assignor(s) Sun Operating Limited Partnership

___ SMALL company ✓ LARGE company ___ FLAGGED large company

Assignee(s) Elf Exploration, Inc

Interest being received 75 % TOTAL interest in lease 100 %

✓ SMALL company ___ LARGE company ___ FLAGGED large company

Assignee(s) Bonded? None ___ $50,000 ___ $300,000 ✓

Will a large company retain interest after this assignment is approved?
NO ✓ YES ______

Operator(s) Elf Exploration, Inc.

✓ SMALL company ___ LARGE company ___ FLAGGED large company

No. of wells (NOT including P&A'ed wells) 13

No. of platforms 1

Is there an approved PLAN on this block? ___ NO ___ YES

Is there a pending PLAN on this lease? ___ NO ___ YES

Further evaluation needed? ___ NO ✓ YES

COMPLETED BY Debbie Armond Date 11-14-91

$13,600,000 abandonment cost estimate, Supplemental bond needed. DJS