M. Metz 7/26/01
DArmond 7/26/01
Nelson 7/26

26 JUL 2001

In Reply Refer To: MS 5421

Ms. Leslie D. Moore
Hall-Houston Oil Company
700 Louisiana, Suite 2100
Houston, Texas 77002

Dear Ms. Moore:

We acknowledge receipt of your letter dated July 18, 2001, submitting your new Outer Continental Shelf Mineral Lessee's and Operator's Supplemental Plugging & Abandonment Bond No. RLB0003597 in the amount of $600,000 executed on July 16, 2001, with Hall-Houston Oil Company as principal, and RLI Insurance Company as surety, conditioned to cover OCS-G 3280, all of Block 405, West Cameron Area, West Addition.

The 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 July 19, 2001, and has been placed in lease file OCS-G 3280 for future reference.

Should you need further assistance, please call me at (504) 736-2614.

Sincerely,

(Orig. Sgd.) Steven K. Waddell, CPL

Steven K. Waddell, CPL
Adjudication Unit Supervisor
Leasing and Environment

cc: RLI Insurance Company
Attention: Mr. Greg E. Chilson
8 Greenway Plaza, Suite 400
Houston, Texas 77046

bc: 1101-02a (1), OCS-G 3280, w/ltr & bond (MS 5421)
N. Nelson/C. Smith (MS 5421)

DArmond:mm:07/26/01:c:\da\3280 sup1

HALL-HOUSTON OIL COMPANY
700 Louisiana, Suite 2100/Houston, Texas 77002

Telephone
(713) 228-0711
Fax
(713) 225-7600
(713) 225-7601

July 18, 2001

Minerals Management Service
Adjudication Unit: MS 5421
Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, LA 70123-2394

Gulf of Mexico OCS Region
MMS
JUL 19 2001
Production and Development

Attention: Yolanda Clark
Land-Law Examiner

JUL 19 2001
ADJUDICATION UNIT
MS 5421

RE: Supplemental Bonds Required
OCS-G 3280 West Cameron Area, Block 405
Contract #1435-01-01-CT-31172
Offshore Louisiana

Dear Yolanda:

Pursuant to our conversation and the Letter Agreement dated May 30, 2001 executed by the MMS which requires two (2) Supplemental Bonds in the amounts of $600,000 and $700,000 in connection with West Cameron Area, Block 405 Contract #1435-01-01-CT-31172, enclosed herewith are two (2) originals of the Outer Continental Shelf Mineral Lessee's and Operator's Supplemental Plugging and Abandonment Bonds in the amount of $600,000 (Bond #RLB0003597) and $700,000 (Bond #RLB0003598) from RLI Insurance Company for Hall-Houston Oil Company which covers the wells and facilities located on Block 405, West Cameron Area.

If there are any problems with the enclosed please do not hesitate to contact me. Also, please update our information in your system to reflect these bonds. Thank you for your help in this matter.

Sincerely,

HALL-HOUSTON OIL COMPANY

Leslie Moore

Leslie D. Moore
Landman

enclosures
cc: John H. Peper
Carrol Williams, Minerals Management Service
Cathy Moser, Minerals Management Service

Contract # 1435- /1-CT-31172 (Replacing Old Con t # 1435-01-00-CT-31124)

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service

Bond No. RLB0003597 OCS-G # and Area/Block OCS-G 3280 WC 405

Bond Type Supplemental/Plugging Amount $600,000.00

OUTER CONTINENTAL SHELF (OCS) MINERAL LESSEE'S AND OPERATOR'S SUPPLEMENTAL PLUGGING AND ABANDONMENT BOND

JUL 19

ADJUDICATION UNIT

The **Surety** is the Company Guaranteeing Performance.

Name of Surety: RLI Insurance Company

Mailing Address: 8 Greenway Plaza, Suite 400
Houston, TX 77046

If a Corporation, Incorporated in the State of: Illinois ; County or Parish of: Peoria

☒ Check here if Surety is certified by U.S. Treasury as an acceptable surety on Federal Bonds and listed in the current U.S. Treasury Circular No. 570

The **Principal** is the Lessee or Operator for Whom the Bond is Issued.

Name of Principal: Hall-Houston Oil Company

Mailing Address: 700 Louisiana Street, #2100, Houston, TX 77002

Schedule A, the area or leases covered by this bond, is comprised:(check one and add description)

☐ The following Area:

☒ The following leases: Expired Lease OCS-G 3280, All of Block 405, West Cameron Area, West Addition OCS Leasing Map, Louisiana Map No. 1A; (See Attachment "A")

In addition to the Obligations of the Principal during the period of liability of this bond, the Surety also accepts the following Obligations:(Check one)

☒ No Obligations other than the Obligations of the Principal during the period of liability of this bond.

☐ All Obligations of all previous Sureties or guarantors even if the Obligations are not Obligations of the Principal during the period of liability of this bond.

☐ All Obligations of all previous Sureties or guarantors even if the Obligations are not Obligations of the Principal during the period of liability of this bond with the following exceptions or limitations: (use an attached sheet if needed)

Definitions For the purposes of this document:	An **Obligation** includes any obligation arising from any regulations of the Department of the Interior or any Instrument issued, maintained, or approved under the OCS Lands Act, 43USC1331 et seq. An **Instrument** includes individually or collectively any lease, operating agreement, designation of operator or agent, storage agreement, compensatory royalty agreement, transfer of operating rights, permit, license, or easement, whereunder the Principal has the right, privilege, or license to conduct operations on the OCS. A **Person** includes an individual, a public or private corporation, a State, a political subdivision of a State, any association of individuals, corporations, States, or subdivisions of States, or a government agency.

By signing below, the Principal verifies that the information above is correct and agrees to the following:
The Principal as agent on behalf of all lessees, operating rights owners, and operators will fulfill all Obligations for the entire leasehold and to the same extent as though the Principal were the sole lessee for all leases in Schedule A or for all leases for which the principal has an interest within an area designated in Schedule A.

By signing below, the Surety verifies that the information above is correct and agrees to the following:

1. The Surety 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 cost of the plugging and abandonment Obligations.
2. The Surety agrees to meet all existing and future Obligations of the Principal on the lease or leases described in Schedule A or on all leases within the area described in Schedule A at a cost not to exceed $600,000.00 .
3. The Surety will be responsible for all Obligations of the Principal in existence at the time this document becomes effective and all Obligations that accrue after that date and until all Obligations are met or until the Regional Director terminates the period of liability of this bond.
4. If the Regional Director terminates the period of liability of this bond, the Surety will remain responsible for Obligations that accrued during the period of liability until the Regional Director issues a written cancellation of the bond in favor of the Surety.
5. If this bond is cancelled, the Regional Director may reinstate this bond as if no cancellation had occurred if 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 financial Obligations or performed the other

ATTACHMENT "A"

Expired Lease OCS-G 3280, previously held by Allied Natural Gas Corporation with Surety, Frontier Insurance Company and transferred per Letter Agreement dated May 30, 2001 and established in Contract No. 1435-01-01-CT-31172.

Initial by: GEC

Obligations of the lease in accordance with MMS specifications be materially false and the MMS relied upon such representation in canceling the instrument.

6. The Surety waives any right of notice of this bond taking effect and agrees that this bond will take effect upon delivery to MMS.
7. The Surety's Obligations will remain in full force and effect, even if:
   (a) Any person assigns all or part of any interest in an Instrument covered by this document.
   (b) Any person modifies an Instrument or Obligation under an Instrument in any manner including modifications that result from a commitment to a unit, cooperative, communitization, or storage agreement; suspension of operations or production; suspension or changes in rental, minimum royalty, or royalties; modification of regulations or interpretations of regulations; creation or modification of compensatory royalty agreements or payments; or creation of any mortgage, pledge, or other grant of security interest in the Instruments.
   (c) Any person, event, or condition terminates any Instrument covered by this bond, whether the termination is by operation of law or otherwise.
   (d) The MMS takes or fails to take any action in enforcing, as against any party to the Instrument, 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 such nonperformance.
   (e) The Surety suffers any loss by reason of any law limiting, qualifying, or discharging the Principal's Obligation.
8. The Surety agrees to be 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 in the Instruments.
9. In the event of any default under a lease, the Surety must perform the Obligations of the Principal upon demand by the MMS.
10. 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, whether or not the MMS joins the lessees or any other party.
11. In the event there is more than one Surety for the Principal's performance of the Obligations, as to any Instrument, the Surety's Obligation and liability under this bond is on a "solidary" or "joint and several" basis along with other guarantors or sureties.
12. The Surety agrees to 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 violation that would result in suspension or revocation of the Surety's charter or license to do business.
13. The Surety's Obligation and liabilities under this Bond are binding upon the Surety's successors and assigns. Nothing in this document permits assignment of the Surety's Obligation without the written consent of the MMS.
14. The Surety hereby waives any defenses to liability on this bond based on an unauthorized Principal signature.

RLI Insurance Company	**Hall-Houston Oil Company**
Name of Surety	Name of Principal
Greg E Chilson	JHPeper
Signature of Person Executing for Surety	Signature of Person Executing for Principal
Greg E. Chilson, Attorney-in-Fact	John H. Peper, Sr. Vice President
Name and title typed or printed	Name and title typed or printed
8 Greenway Plaza, #400	**700 Louisiana Street, #2100**
Business Address	Business Address
Houston, TX 77046	**Houston, TX 77002**
Business Address	Business Address

Signed on this **16th** day of **July**, 20**01**, in the State of **Texas**, in the presence of:

Nancy Cruz	Leslie D. Moore
Signature of Witness	Signature of Witness
Nancy Cruz	Leslie D. Moore
Name typed or printed	Name typed or printed
8 Greenway Plaza, #400	700 Louisiana, Suite 2100
Address	Address
Houston, TX 77046	Houston, TX 77002
Address	Address

Note: The party signing for the Surety must attach a corporate resolution and power of attorney stating 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 incorporation. The corporation executing this bond as Surety and the lessee or operator, if a corporation, must affix their corporate seals.

SURETY DIVISION
9025 North Lindbergh Dr. • Peoria, IL 61615
(309) 692-1000 or (800) 645-2402

RLB0003597

POWER OF ATTORNEY

RLI Insurance Company

Know All Men by These Presents:

That the RLI INSURANCE COMPANY, a corporation organized and existing under the laws of the State of Illinois, and authorized and licensed to do business in all states and the District of Columbia does hereby make, constitute and appoint: GREG E. CHILSON in the City of HOUSTON, State of TEXAS, as Attorney-in-Fact, with full power and authority hereby conferred upon him to sign, execute, acknowledge and deliver for and on its behalf as Surety and as its act and deed, all of the following classes of documents to-wit:

$600,000.00

Indemnity, Surety and Undertakings that may be desired by contract, or may be given in any action or proceeding in any court of law or equity; policies indemnifying employers against loss or damage caused by the misconduct of their employees; official, bail and surety and fidelity bonds. Indemnity in all cases where indemnity may be lawfully given; and with full power and authority to execute consents and waivers to modify or change or extend any bond or document executed for this Company, and to compromise and settle any and all claims or demands made or existing against said Company.

The RLI INSURANCE COMPANY further certifies that the following is a true and exact copy of a Resolution adopted by the Board of Directors of RLI Insurance Company, and now in force to-wit:

"All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys-in-Fact or Agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

(Blue shaded areas above indicate authenticity)

IN WITNESS WHEREOF, the RLI Insurance Company has caused these presents to be executed by its CHAIRMAN, CEO with its corporate seal affixed this

RLI INSURANCE COMPANY CORPORATE SEAL ILLINOIS

ATTEST:

Camille J. Hensey

Corporate Secretary

RLI INSURANCE COMPANY

By: Gerald D. Stephens

Chairman, CEO

State of Illinois)
) SS
County of Peoria)

On this **16** day of **July, 2001** before me, a Notary Public, personally appeared Gerald D. Stephens and Camille J. Hensey, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as Chairman, CEO and Corporate Secretary, respectively, of the said RLI INSURANCE COMPANY, and acknowledged said instrument to be the voluntary act and deed of said corporation.

Cynthia S. Dohm

Notary Public

"OFFICIAL SEAL"
CYNTHIA S. DOHM
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 02/24/02