



United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT

Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, LA 70123-2394

In Reply Refer To: MS GM 266A
OCS-G 29345

March 15, 2018

Mr. Benjamin Smith
Monforte Exploration L.L.C.
3200 Southwest Freeway, Suite 3300
Houston, TX 77027

Dear Mr. Smith:

On March 14, 2018, we received your letter dated March 13, 2018, submitting your Outer Continental Shelf (OCS) Mineral Lessee's or Operator's Supplemental Bond No. N-7000933 in the amount of \$349,820. This bond, conditioned to cover Right-of-Way OCS-G 29345, was executed on March 9, 2018, with Monforte Exploration, L.L.C. as principal and Indemnity National Insurance Company as surety.

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, March 14, 2018.

Should you need further assistance, please contact Kathleen Lee at (504) 736-5774 or boemgomrfinancialassurance@boem.gov.

Sincerely,

**SUSAN
VAUGHAN**

Digitally signed by
SUSAN VAUGHAN
Date: 2018.03.16
10:49:24 -05'00'

Susan Vaughan, Section Chief
Leasing and Financial Responsibility Section
Leasing and Plans

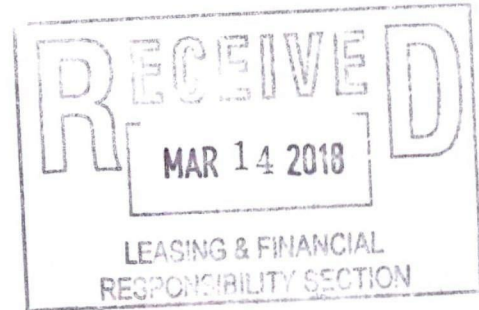
cc: Ms. Theresa Pickerrell
Indemnity National Insurance Company
725 Cool Springs Blvd., Suite 600
Franklin, TN 37067

Sent Via Email To: benji@monfortex.com , tpickerrell@smithmanus.com ,
sondra.baggett@boem.gov , george.tropiano@boem.gov , ann.glazner@boem.gov



March 13, 2018

United States Department of the Interior
Bureau of Ocean Energy Management
Gulf of Mexico OCS Region
Leasing and Financial Responsibility Section
Office of Leasing and Plans, Mail Stop: GM 266A
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123



Attn: Erin O'Reilly
Chief of Leasing and Financial Responsibility

RE: Submittal of Supplemental Bond for ROW OCS-G 29345, Block 291, Ship Shoal Area
Compliance with Order to Provide Additional Security for ROW OCS-G 29345
Correction and Return of Notification of Incident of Noncompliance

Dear Ms. O'Reilly,

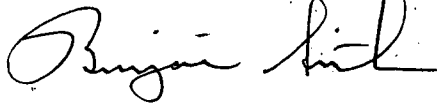
Pursuant to 30 CFR 556.900 and NTL 2016-N01 and pursuant to the Order to Provide Financial Assurance dated October 6, 2017, Monforte Exploration L.L.C. (Monforte) respectfully presents the enclosed bond for \$349,820.00 as requested by your office. We apologize for the delay and are appreciative of your office's consideration of our numerous requests for extensions to comply with the Order and requests for waivers to formally correct the subsequent Incident of Non-Compliance that was issued on December 11, 2017.

For your convenience, we have also enclosed the completed Incident of Non-Compliance form with a corrective date of March 9, 2018.

We have encountered numerous struggles as a company, but we have always strived to take care of our responsibilities as an operator in the Gulf and we will continue to do so. Our delays have not been a result of having an indifferent or inconsiderate attitude; on the contrary we do care very much about taking care of our responsibilities as an operator and trying to improve our performance at every turn!

Should you have any questions or require additional information, please contact me at 281-796-4229 or by email at benji@monfortex.com.

Sincerely,
Monforte Exploration L.L.C.

A handwritten signature in black ink, appearing to read "Benjamin Smith". The signature is fluid and cursive, with the first name being more prominent.

Benjamin Smith
President

Enclosures

Cover Page
**OUTER CONTINENTAL SHELF (OCS)
MINERAL LESSEE'S OR OPERATOR'S BOND**

Form BOEM-2028

This form dated June 2016 supersedes all previous versions of form BOEM-2028

Paperwork Reduction Act of 1995 (PRA) Statement: The PRA (44 U.S.C. 3501 *et seq.*) requires us to inform you that BOEM collects this information to hold the surety liable for the obligations and liability of the Principal (lessee or operator). Responses are mandatory. No proprietary information is collected. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden for this form is estimated to average 15 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Comments regarding the burden estimate or any other aspect of this form should be directed to the Information Collection Clearance Officer, Bureau of Ocean Energy Management, 45600 Woodland Road, Sterling, VA 20166.

**U.S. DEPARTMENT OF THE INTERIOR
Bureau of Ocean Energy Management**

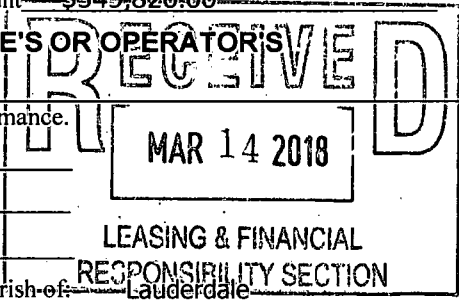
Bond No. N-7000933

OCS Lease/RUE/ROW No. OCS G-29345

Bond Type ROW

Amount \$349,820.00

**OUTER CONTINENTAL SHELF (OCS) MINERAL LESSEE'S OR OPERATOR'S
SUPPLEMENTAL BOND**



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

Name of Surety: Indemnity National Insurance Company
Mailing Address: 725 Cool Springs Blvd., Suite 600
Franklin, TN 37067

If a Corporation, Incorporated in the State of: Mississippi; County or Parish of: Lauderdale

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 Designated Operator for Whom the Bond is Issued.

Name of Principal: Monforte Exploration L.L.C.
Mailing Address: 3200 Southwest Freeway, Suite 3300
Houston, TX 77027

Schedule A, the lease/RUE/ROW covered by this bond, is composed of: (add legal description)

x The following lease/RUE/ROW: ROW OCS-G 29345, Block 291, Ship Shoal Area

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 rider).

Definitions

For the purposes of this document:

A **Principal** includes an entity holding an interest in the oil & gas lease in one or more of the following ways: (1) as an approved record title owner of all or a portion of the lease, (2) as an approved operating rights owner of all or a portion of the lease, or (3) as a designated operator or designated agent in all or a portion of the lease.
A **Lessee** includes an approved record title owner of all or a portion of the lease or an approved operating rights owner of all or a portion of the lease.
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 (43 U.S.C. 1331 *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 entity, 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 the lease/RUE/ROW in Schedule A.

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

- The Surety does hereby absolutely and unconditionally bind itself to the United States of America acting through and by the Bureau of Ocean Energy Management (BOEM), 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.
- 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.
- 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.
- 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

- Obligations of the lease in accordance with BOEM specifications be materially false and BOEM relied upon such representation in canceling the instrument.
5. The Surety waives any right of notice of this bond taking effect and agrees that this bond will take effect upon delivery to BOEM.
 6. 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) BOEM 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.
 7. The Surety agrees to be bound under this bond as to the interests in any Instrument retained by the Principal when BOEM approves the transfer of any or all of the Instruments or interests in the Instruments.
 8. In the event of any default under a lease, the Surety must provide payment of all of the cost of the Obligations of the Principal upon demand by BOEM.
 9. If BOEM 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 BOEM joins the lessees or any other party.
 10. 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.
 11. The Surety agrees to give prompt notice to BOEM 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.
 12. 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 BOEM.
 13. The Surety hereby waives any defenses to liability on this bond based on an unauthorized Principal signature.

Indemnity National Insurance Company

Name of Surety

Theresa Pickerell

Signature of Person Executing for Surety

Theresa Pickerell, Attorney-in-Fact

Name and Title (typed or printed)

725 Cool Springs Blvd., Suite 600

Business Address

Franklin, TN 37067

Business Address

Monforte Exploration L.L.C.

Name of Principal

Benjamin Smith

Signature of Person Executing for Principal

BENJAMIN SMITH, PRESIDENT/CEO

Name and Title (typed or printed)

3200 Southwest Freeway, Suite 3300

Business Address

Houston, TX 77027

Business Address

Signed on this 9th day of March, 20 18, in the State of Kentucky, in the presence of:

Sandra L. Fusinetti

Signature of Witness

Sandra L. Fusinetti

Name (typed or printed)

2307 River Road, Suite 200

Address

Louisville, KY 40206

Address

Lonnie Whitfield

Signature of Witness

LONNIE WHITFIELD

Name (typed or printed)

24955 Interstate 45 North

Address

The Woodlands, TX 77380

Address

Note: The person executing 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 Principal, if a corporation, must affix their corporate seals.

BOEM-2028A (June 2016)

Previous Editions are Obsolete.

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS: that Indemnity National Insurance Company, a Mississippi corporation, (hereinafter the "Company"), does hereby constitute and appoint: Brook T. Smith, William R. Precious, Sandra L. Fusinetti, Mark A. Guidry, and Theresa Pickerrell of Louisville, Kentucky to be its true and lawful Attorney-in-Fact, with full power and authority hereby conferred to sign, seal, and execute on its behalf surety bonds or undertakings and other documents of a similar nature issued in the course of its business up to a penal sum not to exceed One Million Three Hundred Thousand and 00/100 (\$1,300,000.00) each, and to bind the Company thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Company.

This appointment is made under and executed pursuant to and by authority of the following Minutes of Special Actions Taken by Written Consent of the Board of Directors, which is now in full force and effect:

Authorization to Appoint Attorneys-in-Fact and the Use of Facsimile Signatures and Facsimile Seals for the Purpose of Issuing Bonds:

RESOLVED: That the president or any vice president may appoint attorneys-in-fact or agents with authority as defined or limited in the instrument evidencing the appointment in each case, for and on behalf of the Company to execute and deliver and affix the seal of the Company to bonds and related obligatory certificates and documents; and any one of said officers may remove any such attorney-in-fact or agent and revoke any power previously granted to such person, whether or not such officer appointed the attorney-in-fact or agent.

RESOLVED: That any bonds and related obligatory certificates and documents shall be valid and binding upon the Company, (i) when signed by the president, or any vice president, and sealed with the Company seal; or (ii) when duly executed and sealed with the Company seal by one or more attorneys-in-fact or agents pursuant to and within the limits of authority evidenced by the power of attorney issued by the Company to such person or persons a certified copy of which power of attorney must be attached thereto in order for such obligation to be binding upon the Company.

RESOLVED: That the signature of any authorized officer and the seal of the Company may be affixed to any power of attorney or certification thereof authorizing the execution and delivery of any bonds and related obligatory certificates and documents of the Company and such signature and seal then so used shall have the same force and effect as though manually affixed.

IN WITNESS WHEREOF, this Power of Attorney has been subscribed by an authorized officer or official of the Company and the corporate seal of Indemnity National Insurance Company has been affixed thereto in Lexington, Kentucky this 6th day of November, 2017.



Indemnity National Insurance Company

By [Signature] Thomas F. Elkins, President

State of Kentucky
County of Fayette

On this 6th day of November, 2017, before me, a Notary Public, personally came Thomas F. Elkins, to me known, and acknowledged that he is President of Indemnity National Insurance Company; that he knows the seal of said corporation; and that he executed the above Power of Attorney and affixed the corporate seal of Indemnity National Insurance Company thereto with the authority and at the direction of said corporation.



By [Signature] Notary Public

My Commission Expires 09/26/2021

CERTIFICATE

I, James E. Hart, Secretary of Indemnity National Insurance Company, do hereby certify that the foregoing Power of Attorney is still in full force and effect, and further certify that the Minutes of Special Actions Taken by Written Consent of the Board of Directors are now in full force and effect.

IN TESTIMONY WHEREOF I have subscribed my name and affixed the seal of said Company. Dated this 9th day of March, 2018.



By [Signature] James E. Hart, Secretary