



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
ROG0001249

May 22, 2018

Mr. Michael C. Burkard
SDB Offshore Energy, LLC
5005 Riverway, Suite 350
Houston, Texas 77056

Dear Mr. Burkard:

On May 14, 2018, we received your Outer Continental Shelf (OCS) Mineral Lessee's or Operator's Bond No. ROG0001249 in the amount of \$300,000. This bond, conditioned to cover principal's leasehold interest held now or hereafter in the Gulf of Mexico, was executed on April 25, 2018, with SDB Offshore Energy, LLC as principal and RLI 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, May 14, 2018.

Should you need further assistance, please contact Debbie Armond at (504) 736-2614 or boemgomrfinancialassurance@boem.gov.

Sincerely,

**SUSAN
VAUGHAN**

Digitally signed by
SUSAN VAUGHAN

Date: 2018.05.22
16:14:24 -05'00'

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

cc: Mr. Geoffrey King
RLI Insurance Company
2925 Richmond Ave., Suite 1600
Houston, Texas 77098

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. ROG0001249

Lease No. Gulf of Mexico

Bond Type Areawide

Amount \$ 300,000.00

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

The Surety is the entity Guaranteeing Performance.

Name of Surety: RLI Insurance Company

Mailing Address: 2925 Richmond Ave., Suite 1600

Houston, TX 77098

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 Designated Operator for Whom the Bond is Issued.

Name of Principal: SDB Offshore Energy, LLC

Mailing Address: 5005 Riverway, Suite 350

Houston, TX 77056

Schedule A, the region or leases covered by this bond, is composed of: (Check one and add legal description)

☒ The following region: Gulf of Mexico

☐ The following lease(s): _____
☐ Check here if additional lease information is continued on attached sheet.

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:

Unless as otherwise indicated on Schedule A, the Principal 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 a region 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 Bureau of Ocean Energy Management (BOEM), or such other official designated by the Secretary of the Interior for this purpose, for the performance of all present and future Obligations.
2. 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.
3. 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.
4. If this bond is cancelled, the Regional Director may reinstate this bond as if no cancellation had occurred if any payment of any obligations 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 or 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.

RLI Insurance Company
Name of Surety

[Signature]
Signature of Person Executing for Surety

Geoffrey King Attorney In Fact
Name and Title (typed or printed)

2925 Richmond Ave., Suite 1600
Business Address

Houston, TX 77098
Business Address

SDB Offshore Energy, LLC
Name of Principal

Michael C. Burkard
Signature of Person Executing for Principal

Michael C. Burkard President
Name and Title (typed or printed)

5005 Riverway, Suite 350
Business Address

Houston, TX 77056
Business Address

Signed on this 25th day of April, 2018, in the State of Texas, in the presence of:

[Signature]
Signature of Witness

Katie Nguyen
Name (typed or printed)

2925 Richmond Ave., Suite 1600
Address

Houston, TX 77098
Address

[Signature]
Signature of Witness

DAVID HRUZEK
Name (typed or printed)

5005 Riverway Dr, Suite 350
Address

Houston, Tx 77056
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.

POWER OF ATTORNEY

RLI Insurance Company

9025 N. Lindbergh Dr. Peoria, IL 61615
Phone: 800-645-2402

Know All Men by These Presents:

Bond No. ROG0001249

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: Geoffrey King in the City of Houston, State of Texas, as it's true and lawful Agent and Attorney In Fact, with full power and authority hereby conferred upon him/her to sign, execute, acknowledge and deliver for and on its behalf as Surety, in general, any and all bonds and undertakings in an amount not to exceed Three Hundred Thousand and 00/100 Dollars (\$ 300,000.00) for any single obligation, and specifically for the following described bond.

Principal: SDB Offshore Energy, LLC
Obligee: Bureau of Ocean Energy Management (BOEM)
Bond Amount: \$ 300,000.00
Effective Date: April 25, 2018

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."

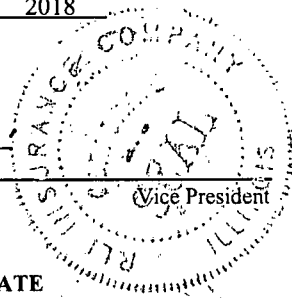
IN WITNESS WHEREOF, the RLI Insurance Company has caused these presents to be executed by its Vice President with its corporate seal affixed this 25th day of April, 2018



RLI Insurance Company

By:

Barton W. Davis
Barton W. Davis



State of Illinois }
County of Peoria } SS

On this 25th day of April, 2018, before me, a Notary Public, personally appeared Barton W. Davis, who being by me duly sworn, acknowledged that he signed the above Power of Attorney as the aforesaid officer of the RLI Insurance Company, and acknowledged said instrument to be the voluntary act and deed of said corporation.

By: Gretchen L. Johnigk
Gretchen L. Johnigk Notary Public



CERTIFICATE

I, the undersigned officer of RLI Insurance Company do hereby certify that the attached Power of Attorney is in full force and effect and is irrevocable; and furthermore, that the Resolution of the Company as set forth in the Power of Attorney, is now in force. In testimony whereof, I have hereunto set my hand and the seal of the RLI Insurance Company this 25th day of April, 2018.

RLI Insurance Company

By:

Jean M. Stephenson
Jean M. Stephenson

Corporate Secretary

A00AS817



2925 Richmond Ave., Suite 1600
Houston, TX 77098
Phone: (713)961-1300 Fax: (713)961-0285

Texas Policyholder Notice

TEXAS IMPORTANT NOTICE

To obtain information or make a complaint:

You may call **RLI Insurance Company's** toll free telephone number for information or to make a complaint at (800)223-2293.

You may also write to **RLI Insurance Company** at:

2925 Richmond Ave., Suite 1600
Houston, TX 77098
FAX # (713)961-0285

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at 1-800-252-3439.

You may also write the Texas Department of Insurance:

P.O. Box 149104
Austin, TX 78714-9104
Fax Number: (512) 490-1007
Web: www.tdi.texas.gov
E-mail: ConsumerProtection@tdi.texas.gov

PREMIUM OR CLAIM DISPUTES:

Should you have a dispute concerning your premium or about a claim, you should contact the agent first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY:

This notice is for information only and does not become a part or condition of the attached document.

TEXAS AVISO IMPORTANTE

Para obtener informacion o para presentar una queja:

Usted puede llamar al numero de telefono gratuito de **RLI Insurance Company** para obtener informacion o para presentar una queja al (800)223-2293.

Usted tambien puede escribir a **RLI Insurance Company**:

2925 Richmond Ave., Suite 1600
Houston, TX 77098
FAX # (713)961-0285

Usted puede comunicarse con el Departamento de Seguros de Texas para obtener informacion sobre companias, coberturas, derechos o quejas al 1-800-252-3439.

Usted puede escribir al Departamento de Seguros de Texas a:

P.O. Box 149104
Austin, TX 78714-9104
Fax Number: (512) 490-1007
Sitio web: www.tdi.texas.gov
E-mail: ConsumerProtection@tdi.texas.gov

DISPUTAS POR PRIMAS DE SEGUROS O RECLAMACIONES:

Si tiene una disputa relacionada con su prima de seguro o con reclamacion, usted debe comunicarse con el agente primero. Si la disputa no es resuelta, puede comunicarse con el Departamento de Seguros de Texas.

ADJUNTE ESTE AVISO A SU POLIZA:

Este aviso es solamente para propósitos informativos y no se convierte en parte o en condicion del documento adjunto.