



# 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: GM 274A

AUG 01 2013

Mr. Chester F. Morrison, Jr.  
Cochon Properties, LLC  
16285 Park Ten Place, Suite 100  
Houston, Texas 77084

Dear Mr. Morrison:

The Bureau of Ocean Energy Management acknowledges receipt of your new Outer Continental Shelf (OCS) Mineral Lessee's or Operator's Bond No. B008092 in the amount of \$500,000 executed on July 8, 2013, with Cochon Properties, LLC as principal, and U.S. Specialty Insurance Company as surety conditioned to cover the S1/2 portion of Block 67, Vermillion Area, further identified as Lease OCS 0560.

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 July 15, 2013, and has been placed in lease file OCS 0560, maintained in the Leasing & Financial Responsibility Section for future reference.

Should you require further assistance, please contact Cheryl A. Olivier at (504) 736-2435.

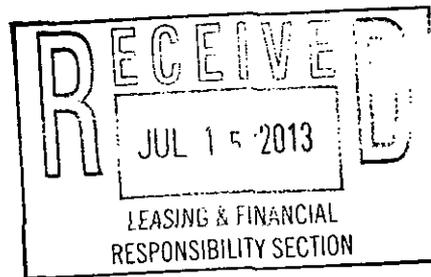
Sincerely,

Carrol S. Williams, Section Chief  
Leasing & Financial Responsibility Section  
Leasing and Plans

cc: Mr. W. Russell Brown, Jr.  
U. S. Specialty Insurance Company  
13403 Northwest Freeway  
Houston, Texas 77040

# COCHON PROPERTIES

July 11, 2013



via **Federal Express** only

Bureau of Ocean Energy Management  
1201 Elmwood Park Boulevard  
New Orleans, LA 70123-2394

Attn: Ms. Cheryl Olivier, Leasing and Environment Office

Re: Submittal of Operator's Bonds related to three (3) Leases and a Pipeline Right-of-Way Bond from the Principal, Cochon Properties, LLC (GOM #3288)

OCS-0560, Vermillion Area, South ½ of Block 67

OCS-0137, West Delta Area, Block 44

OCS-0138, West Delta Area, Block 45

OMB Control Number: 1010-0006, Pipeline ROW

Dear Ms. Olivier:

On July 9, 2013, Cochon Properties, LLC received notification that effective April 17, 2013 it was recognized by BOEM as a qualified operator in the GOM. On July 11, 2013, Cochon accepted assignment of all of the record title interest in the above referenced leases and has submitted same to BOEM for approval. Cochon intends to operate these leases.

Enclosed are the following OCS Mineral Lessee's or Operator's Bonds required from Cochon Properties, LLC, as designated operator (pending BOEM approval) of the referenced leases and the general Right-of-Way Bond all signed by Cochon Properties, LLC, as Principal, and U.S. Specialty Insurance Company, as Surety.

Bond Number	Bond Amount	Bonding Coverage
Lease Specific Bond No. B008092	\$500,000	South ½ of Block 67 Vermillion Area
Lease Specific Bond No. B008093	\$500,000	Block 44 West Delta Area
Lease Specific Bond No. B008094	\$500,000	Block 45 West Delta Area
Right-of-Way Bond No. B008095	\$300,000	Gulf of Mexico

Of course if you have any questions or comments, please do not hesitate to contact me.

With kindest regards,

A handwritten signature in black ink, appearing to read "Brett P. Blanchard".

Brett P. Blanchard  
Vice President

BPB/kft

Enclosures

**U.S. DEPARTMENT OF THE INTERIOR**

**Bureau of Ocean Energy Management**

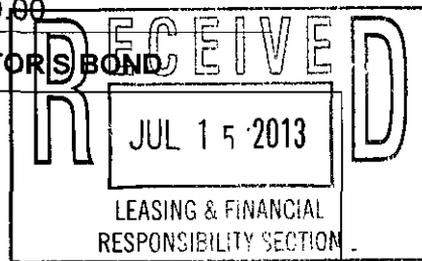
Bond No. B008092

Lease No. OCS-0560

Bond Type Lease-Specific

Amount \$500,000.00

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



The Surety is the entity Guaranteeing Performance.

Name of Surety: U.S. Specialty Insurance Company

Mailing Address: 13403 Northwest Freeway  
Houston, Texas 77040

If a Corporation, Incorporated in the State of: Texas; County or Parish of: Harris

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: Cochon Properties, LLC

Mailing Address: 16285 Park Ten Place, Suite 100  
Houston, Texas 77084

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

- The following region: \_\_\_\_\_
- The following lease(s): S1/2 Block 67, Vermilion Area, as shown on OCS Louisiana Leasing Map, LA 3

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:**

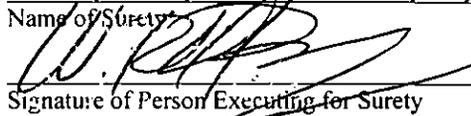
- The Surety does hereby absolutely and unconditionally bind itself to the United States of America acting through and by the Bureau of Ocean Energy Management (BOEM), or such other official designated by the Secretary of the Interior for this purpose, for the performance of all present and future Obligations.
- 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 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 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.

**U.S. Specialty Insurance Company**

Name of Surety



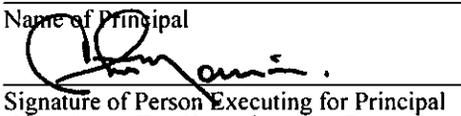
W. Russell Brown, Jr., Attorney-in-Fact  
Name and Title (typed or printed)

13403 Northwest Freeway  
Business Address

Houston, Texas 77040  
Business Address

Cochon Properties, LLC

Name of Principal

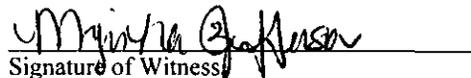


Chester F. Morrison, Jr.  
Chief Executive Officer  
Name and Title (typed or printed)

16285 Park Ten Place, Suite 100  
Business Address

Houston, Texas 77084  
Business Address

Signed on this 8th day of July, 20 13, in the State of Texas, in the presence of:



Myisha Jefferson  
Name (typed or printed)

777 Post Oak Boulevard, Suite 330  
Address

Houston, Texas 77056  
Address

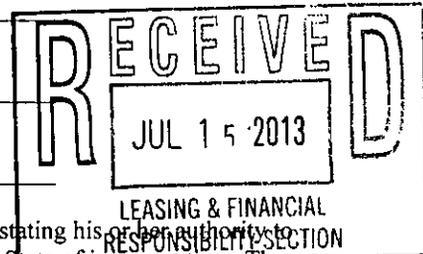


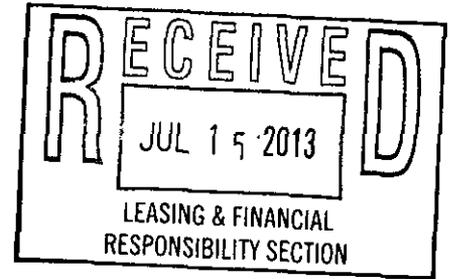
Kenneth F. Tamplain, Jr.  
Name (typed or printed)

1123 Joshua Lane  
Address

Houston, Texas 77055  
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.





## TEXAS COMPLAINT NOTICE

### IMPORTANT NOTICE

- 1 To obtain information or make a complaint:
- 2 You may contact your agent.
- 3 You may call the company's toll free telephone number for information or to make a complaint at:

1-800-486-6695

- 4 You may also write to the company:

601 S. Figueroa St., Suite 1600  
Los Angeles, CA 90017

- 5 You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:

(800) 252-3439

- 6 You may write the Texas Department of Insurance:

P.O. Box 149104  
Austin, TX 78714-9104  
Fax No.: (512) 475-1771  
Web: <http://www.tdi.state.tx.us>  
E-mail: [ConsumerProtection@tdi.state.tx.us](mailto:ConsumerProtection@tdi.state.tx.us)

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### PREMIUM OR CLAIM DISPUTES:

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

### ATTACH THIS NOTICE TO YOUR POLICY:

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

### AVISO IMPORTANTE

Para obtener informacion o para someter una queja:  
Puede comunicarse con su agente.

Usted puede llamar de numerero de telefono gratis de la compania para informacion o para someter una queja al:

1-800-486-6695

Usted tambien puede escribir a la compania:

601 S. Figueroa St., Suite 1600  
Los Angeles, CA 90017

Puede comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al:

(800) 252-3439

Puede escribir al Departamento de Seguros de Texas:

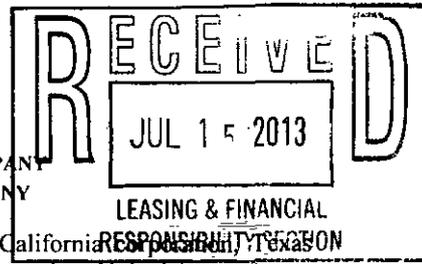
P.O. Box 149104  
Austin, TX 78714-9104  
Fax No.: (512) 475-1771  
Web: <http://www.tdi.state.tx.us>  
E-mail: [ConsumerProtection@tdi.state.tx.us](mailto:ConsumerProtection@tdi.state.tx.us)

### DISPUTAS SOBRE PRIMAS O RECLAMOS:

Si tiene una disputa concerniente a su prima o a un reclamo, debe comunicarse con el agente o la companie primero. Si no se resuelve la disputa, prede entonces comunicarse con el departamento (TDI).

### UNA ESTE AVISO A SU POLIZA:

Esta aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.



POWER OF ATTORNEY
AMERICAN CONTRACTORS INDEMNITY COMPANY TEXAS BONDING COMPANY
UNITED STATES SURETY COMPANY U.S. SPECIALTY INSURANCE COMPANY

KNOW ALL MEN BY THESE PRESENTS: That American Contractors Indemnity Company, a California Bonding Company, an assumed name of American Contractors Indemnity Company, a California corporation, United States Surety Company, a Maryland corporation and U.S. Specialty Insurance Company, a Texas corporation (collectively, the "Companies"), do by these presents make, constitute and appoint:

Edwin H. Frank, III, Michele K. Tyson or W. Russell Brown, Jr. of Houston, Texas

its true and lawful Attorney(s)-in-fact, each in their separate capacity if more than one is named above, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed \*\*\*\*\*Three Million\*\*\*\*\* Dollars (\$\*\*3,000,000.00\*\*).

This Power of Attorney shall expire without further action on March 18, 2015. This Power of Attorney is granted under and by authority of the following resolutions adopted by the Boards of Directors of the Companies:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

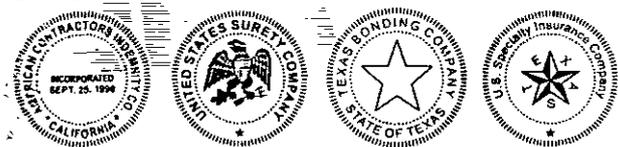
Attorney-in-Fact may be given full power and authority for and in the name of and on behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, The Companies have caused this instrument to be signed and their corporate seals to be hereto affixed, on July 8, 2013

AMERICAN CONTRACTORS INDEMNITY COMPANY TEXAS BONDING COMPANY
UNITED STATES SURETY COMPANY U.S. SPECIALTY INSURANCE COMPANY

Corporate Seals



By: [Signature] Daniel P. Aguilar, Vice President

State of California
County of Los Angeles SS:

On July 8, 2013, before me, Deborah Reese, a notary public, personally appeared Daniel P. Aguilar, Vice President of American Contractors Indemnity Company, Texas Bonding Company, United States Surety Company and U.S. Specialty Insurance Company who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.
WITNESS my hand and official seal.

Signature [Signature] (Seal)

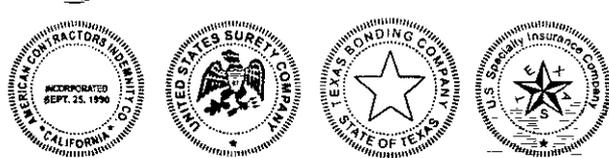


I, Jeannie Lee, Assistant Secretary of American Contractors Indemnity Company, Texas Bonding Company, United States Surety Company and U.S. Specialty Insurance Company, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Companies, which is still in full force and effect; furthermore, the resolutions of the Boards of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seals of said Companies at Los Angeles, California this 8th day of July, 2013

Corporate Seals

Bond No. B008092
Agency No. 8353



[Signature] Jeannie Lee, Assistant Secretary