



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

JUN 29 2015

In Reply Refer To: OCS-G 16353

Mr. Stephen Fuerst
Black Elk Energy Offshore Operations, LLC
3100 South Gessner Road, Suite 210
Houston, Texas 77065

Dear Mr. Fuerst:

The Bureau of Ocean Energy Management acknowledges receipt of your new Outer Continental Shelf (OCS) Mineral Lessee's or Operator's Supplemental Bond No. SUR0032473 in the amount of \$680,000 executed on June 10, 2015, with Black Elk Energy Offshore Operations, LLC as principal and Argonaut Insurance Company as surety, conditioned to cover OCS-G 16353, All of Block 156, Eugene Island Area.

This bond replaces your Outer Continental Shelf Mineral Lessee's and Operators Bond and Act of Suretyship No. 105500953 in the amount of \$680,000 executed on November 11, 2010 with Black Elk Energy Offshore Operations, LLC as principal and Travelers Casualty and Surety Company of America as surety, conditioned to cover OCS-G 16353, All of Block 156, Eugene Island Area.

The period of liability of Outer Continental Shelf Mineral Lessee's and Operators Bond and Act of Suretyship No. 105500948 is considered to have terminated on June 10, 2015, the date the replacement bond was executed and the bond is cancelled the same date without residual liability. The new bond, Bond No. SUR0032473, is considered to be effective June 10, 2015.

Your replacement bond, Bond No. SUR0032473, conforms to the requirements of the leasing and operating regulations for the submerged lands of the Outer Continental Shelf and has been placed in our central file, maintained in the Leasing & Financial Responsibility Section for future reference.

If you require further assistance, please contact Mr. Mark Selquist at (504) 736-2435..

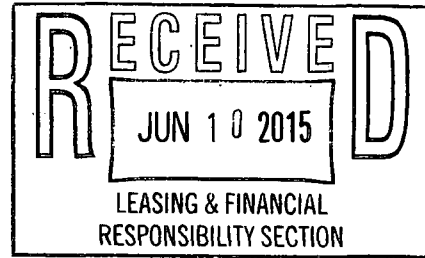
Sincerely,

for

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

cc: Mr. Eric S. Feigl
Argonaut Insurance Company
Post Office Box 469011
San Antonio, Texas 78246

bc: 1101-02a(1), w/ltr & bond (GM 260)
Reading File (GM 266A)
TIMS (GM 276B)



June 9, 2015

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

Attention: MS 5422
Mr. Mark Selquist

Cancellation Request

Principal: Black Elk Energy Offshore Operations, LLC
Surety: Travelers Casualty and Surety Company of America
Bond No.: 105500953
Type of Bond: Supplemental
Lease Description: Eugene Island Block 156, OCS G- 16353
Bond Amount \$680,000.00

Dear Mr. Selquist:

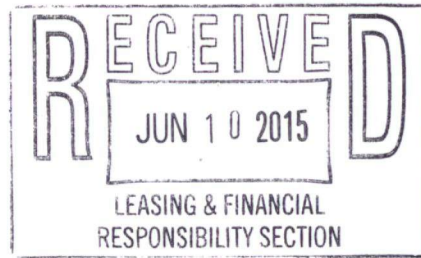
Black Elk Energy Offshore Operations, LLC, company number 03033, herein requests via this letter both termination and cancellation of the bond referenced above. We simultaneously request that the Argo bond identified below be substituted for the bond cancelled. The replacement bond is intended and accepts all liabilities of the previous bond. This transaction is intended to be a one for one transaction or the bond being terminated and cancelled will be immediately replaced with a like bond which accepts all liability of the bond being terminated.

Replacement Bond

Principal: Black Elk Energy Offshore Operations, LLC
Surety: Argonaut Insurance Company
Bond No.: SUR0032473
Type of Bond: Supplemental
Lease Description: Eugene Island Block 156, OCS G-16353
Bond Amount \$680,000.00

Page -2-
June 9, 2015

Bond Cancellation and Replacement
Eugene Island Block 156
OCS- G 16353



Black Elk Energy Offshore Operations, LLC is also requesting the immediate release and return of the bond being cancelled and terminated. The significant premium cost of the terminating bond and the collateral securing that bond together with the premium and obligation of additional collateral for the replacement bond, makes it imperative that this action be completed as soon as possible. This will significantly assist in maintain Black Elk Energy's financial flexibility. Inasmuch as this is a one for one replacement and re-pledge of bond, we are hopeful that this action will not require the review of the bonding committee.

Please advise if a Bond Committee review will be required.

Please contact the undersigned if you have questions or need anything further to completed the above stated actions.

Thank you for your assistance.

Sincerely,

A handwritten signature in blue ink, appearing to be "S. Fuerst", written over a horizontal line.

Stephen Fuerst
General Counsel

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

Form BOEM-2028A

This form dated March 2014 supersedes all previous versions of form BOEM-2028A

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, Virginia 20166.

U.S. DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management

Bond No. SUR0032473

OCS Lease/RUE/ROW No. OCS-G 16353

Bond Type Supplemental

Amount \$680,00.00

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

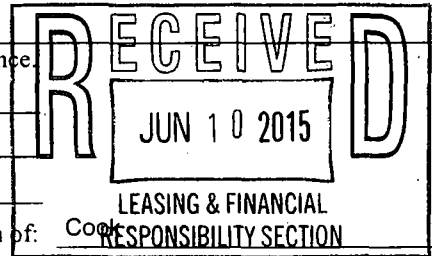
The **Surety** is the entity Guaranteeing Performance.

Name of Surety: Argonaut Insurance Company

Mailing Address: P.O. Box 469011

San Antonio, TX 78246

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



☒ 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: Black Elk Energy Offshore Operations, LLC

Mailing Address: 3100 S. Gessner Rd. Suite 210

Houston, TX 77065

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

☒ The following lease/RUE/ROW: OCS-G 16353, All of Block 156, Eugene Island Area, OCS Leasing Map, Louisiana Map No.4

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:

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 payment of all of the cost of the plugging and abandonment 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 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.

Argonaut Insurance Company

Name of Surety

Signature of Person Executing for Surety

Eric S. Feigl, Attorney-in-Fact

Name and Title (typed or printed)

P.O. Box 469011

Business Address

San Antonio, TX 78246

Business Address

Black Elk Energy Offshore Operations, LLC

Name of Principal

Signature of Person Executing for Principal

Stephen Fuerst, General Counsel

Name and Title (typed or printed)

3100 S. Gessner Rd. Suite 210

Business Address

Houston, TX 77065

Business Address

Signed on this 10 day of June, 20 15, in the State of Texas, in the presence of:

Signature of Witness

Jessica Richmond

Name (typed or printed)

2727 Allen Parkway, Suite 2200

Address

Houston TX 77019

Address

Signature of Witness

Linda Sellers

Name (typed or printed)

3100 S. Gessner Rd. Suite 210

Address

Houston, TX 77065

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 (March 2014)

Previous Editions are Obsolete.

Argonaut Insurance Company
Deliveries Only: 225 W. Washington, 24th Floor
Chicago, IL 60606

United States Postal Service: P.O. Box 469011, San Antonio, TX 78246

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the Argonaut Insurance Company, a Corporation duly organized and existing under the laws of the State of Illinois and having its principal office in the County of Cook, Illinois does hereby nominate, constitute and appoint:

Philip N. Bair, Eric S. Feigl, Phyllis Ramirez, Joyce A. Johnson, Janie Cermeno, Jessica Richmond

Their true and lawful agent(s) and attorney(s)-in-fact, each in their separate capacity if more than one is named above, to make, execute, seal and deliver for and on its behalf as surety, and as its act and deed any and all bonds, contracts, agreements of indemnity and other undertakings in suretyship provided, however, that the penal sum of any one such instrument executed hereunder shall not exceed the sum of:

\$40,000,000.00

This Power of Attorney is granted and is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of Argonaut Insurance Company:

"RESOLVED, That the President, Senior Vice President, Vice President, Assistant Vice President, Secretary, Treasurer and each of them hereby is authorized to execute powers of attorney, and such authority can be executed by use of facsimile signature, which may be attested or acknowledged by any officer or attorney, of the Company, qualifying the attorney or attorneys named in the given power of attorney, to execute in behalf of, and acknowledge as the act and deed of the Argonaut Insurance Company, all bond undertakings and contracts of suretyship, and to affix the corporate seal thereto."

IN WITNESS WHEREOF, Argonaut Insurance Company has caused its official seal to be hereunto affixed and these presents to be signed by its duly authorized officer on the 18th day of July, 2013.

Argonaut Insurance Company



by: _____

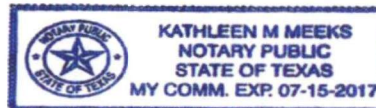
Joshua C. Betz, Senior Vice President

STATE OF TEXAS

COUNTY OF HARRIS SS:

On this 18th day of July, 2013 A.D., before me, a Notary Public of the State of Texas, in and for the County of Harris, duly commissioned and qualified, came THE ABOVE OFFICER OF THE COMPANY, to me personally known to be the individual and officer described in, and who executed the preceding instrument, and he acknowledged the execution of same, and being by me duly sworn, deposed and said that he is the officer of the said Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and the said Corporate Seal and his signature as officer were duly affixed and subscribed to the said instrument by the authority and direction of the said corporation, and that Resolution adopted by the Board of Directors of said Company, referred to in the preceding instrument is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my Official Seal at the County of Harris, the day and year first above written.



Kathleen M. Meeks

(Notary Public)

I, the undersigned Officer of the Argonaut Insurance Company, Illinois Corporation, do hereby certify that the original POWER OF ATTORNEY of which the foregoing is a full, true and correct copy is still in full force and effect and has not been revoked.

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the Seal of said Company, on the 15th day of June 2015



Sarah Heineman

Sarah Heineman, VP-Underwriting Surety