

Commonwealth of Pennsylvania
Department of Environmental Protection
Bureau of Oil and Gas Management

Guidelines for Submitting Oil and Gas Well Bonds

Technical Guidance Number 550-2501-101



For more information, visit www.depweb.state.pa.us,
keyword: Well.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

Bureau of Oil and Gas Management

DOCUMENT NUMBER: 550-2501-101

TITLE: Guidelines for Submitting Oil and Gas Well Bonds

EFFECTIVE DATE: April 16, 2001

AUTHORITY: The Oil and Gas Act, P.L. 1140, No. 22_) (58 P.S. Section 601101, et seq)
The Administrative Code, P.L. 177, No.175 (71 P.S. Section 510-1,
et seq.), as amended by Act 57 of 1997, 71 P.S. Section 510-34
(Admin Code Section 1934-A)
Solid Waste Management Act, P.L. 380, No. 97 (35 P.S. Section
6018.101, et seq.)
25 Pa Code Chapter 78. Oil and Gas Wells

POLICY: DEP will require applicants to adhere to the guidelines and instructions published herein when submitting bond applications for oil and gas well bonds and related collateral instruments and surety documents.

PURPOSE: The purpose of this document is to provide instruction to bond applicants and financial guarantors for submitting proper documents and financial instruments for oil and gas well bonds.

APPLICABILITY: The policies herein provide guidance to DEP personnel and the public on proper procedures for submitting applications to DEP for oil and gas well bonds.

DISCLAIMER: The policies and procedures outlined in this guidance are intended to supplement existing requirements. Nothing in the policies or procedures shall affect regulatory requirements.

The policies and procedures herein are not an adjudication or a regulation. There is no intent on the part of DEP to give the rules in these policies that weight or deference. This document establishes the framework within which DEP will exercise its administrative discretion in the future. DEP reserves the discretion to deviate from this policy statement if circumstances warrant.

PAGE LENGTH: 64 pages

LOCATION: Volume 10, Tab 2

DEFINITIONS:

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INTRODUCTION

The Department of Environmental Protection (DEP) regulates drilling and operating oil and gas wells in Pennsylvania under several statutes. The primary statute is the Oil and Gas Act of December 19, 1984 (58 P.S. Section 601.101, et seq.). Section 215 of the Act requires an operator to obtain an approved oil and gas well bond before drilling or continuing to operate a well. Act 57 of 1997, 71 P.S. Section 510-34 (Admin Code Section 1934-A), exempted wells drilled before April 18, 1985, from the bond requirement. However, any such well redrilled, drilled deeper, or altered after April 17, 1985 must be permitted under the Act and must be covered by a bond. This guidance is to assist you in completing the necessary bond forms.

The bond remains in effect until released by the Department. A well will be released from bond coverage one year after it has been properly plugged and the site satisfactorily restored.

An oil or gas well may be bonded under a single well bond in the amount of \$2,500, or multiple wells may be bonded under a blanket bond of \$25,000. Two types of bonds are acceptable -- surety or collateral. A surety bond must be accompanied by the surety's attorney-in-fact. Collateral can be cash (i.e., certified check, bank check, treasurer's check or money order, made payable to the Commonwealth of PA), a letter of credit, a certificate of deposit, or certain negotiable securities. The Commonwealth of Pennsylvania does not pay interest on cash held as collateral for a bond.

An individual wishing to drill a new well may meet the collateral bond requirements by making phased deposits of collateral. This bond option is now only available to individuals, not to corporations, companies, or partnerships. Individuals bonding wells under this phased-deposit option are limited to drilling ten wells per calendar year.

Two documents in this booklet assist you in deciding which forms to use when submitting a bond application to the Department. See Bond Forms and Guidelines on page 2 and Checklist for Submitting Bonds for Oil and Gas Wells on page 6.

Bond submittals should be made to the regional office that has jurisdiction over the counties in which most of your wells are located. A map showing the regional office boundaries and information is shown on page 4.

FORMS FOR SUBMITTING BONDS

The forms and instructions in this publication are informational examples only. Please do not photocopy the forms shown here to use for bond applications. To obtain a form for official business, contact the regional DEP oil and gas office in Pittsburgh or Meadville. See the map on page 3.

Also, the forms are available from the oil and gas homepage on DEP's Web site at www.depweb.state.pa.us. Click on "[Energy Topics](#)"; click on "[Oil and Gas Wells](#)"; click on "[Forms](#)", then click on "[Oil and Gas Bond Application Forms](#)", then click on "[click here to continue](#)". Scroll down the oil and gas topics for [Forms](#). Bond forms from the DEP Web site are provided as unalterable PDF files, to be printed out as blank forms and filled in on a typewriter or by hand. PDF files are viewable with Adobe Reader®, which is available as a free download through the DEP Web site. Bond forms will not be made available for "on-screen" use until DEP initiates electronic commerce for bond submittals.

Commonwealth of Pennsylvania

Bond Forms and Instructions for Oil and Gas Operators

Bond Forms

DEP Stock No.	Name or Title	Rev. Date	Page #
5500-PM-OG0010	Application for Transfer of Well Permit or Registration	9/2006	58
5500-FM-OG0035	Collateral Bond for Single Oil or Gas Well	1/2007	28
5500-FM-OG0036	Blanket Collateral Bond for Oil and Gas Wells	1/2007	34
5500-FM-OG0037	Assignment of Certificate of Deposit Oil and Gas Collateral Bond	10/2006	44
5500-FM-OG0039	Surety Bond Single Oil or Gas Well	9/2006	16
5500-FM-OG0041	Blanket Surety Bond for Oil or Gas Wells	9/2006	21
5500-FM-OG0042	Bond Exhibit A (for Blanket Collateral Bond)	8/2006	39
5500-FM-OG0042	Bond Exhibit A (for Blanket Surety Bond)	8/2006	26
5500-FM-OG0062	Phased Payment Collateral Bond for an Individual For Single Oil or Gas Well	10/2006	41

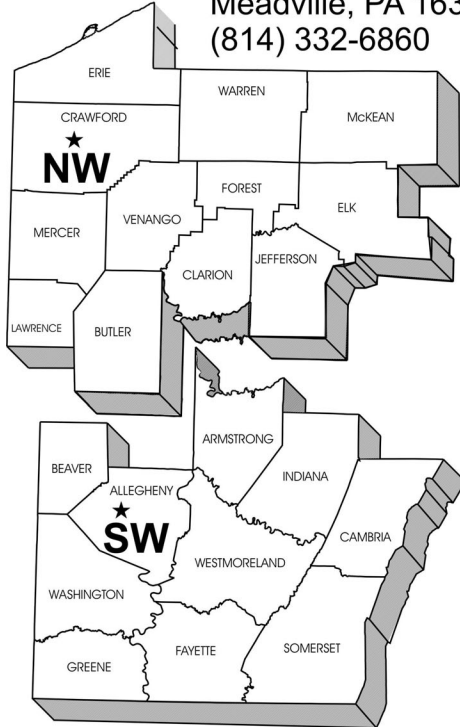
Guidelines and Instructions

5500-FM-OG0031	Guidelines for Submission of Collateral – Certificates of Deposit (CD's) Under The Oil and Gas Act	9/2006	48
5500-FM-OG0032	Guidelines for Submission of Negotiable Government Securities	10/2006	50
5500-FM-OG0051	Guidelines for Submission of Collateral – Letters of Credit	11/2009	51
5500-FM-OG0060	Checklist for Submitting Bonds for Oil and Gas Wells	10/2006	6
5500-FM-OG0061	Department Requirements for Execution of Bond Instruments	11/2009	7

Oil and Gas Regions

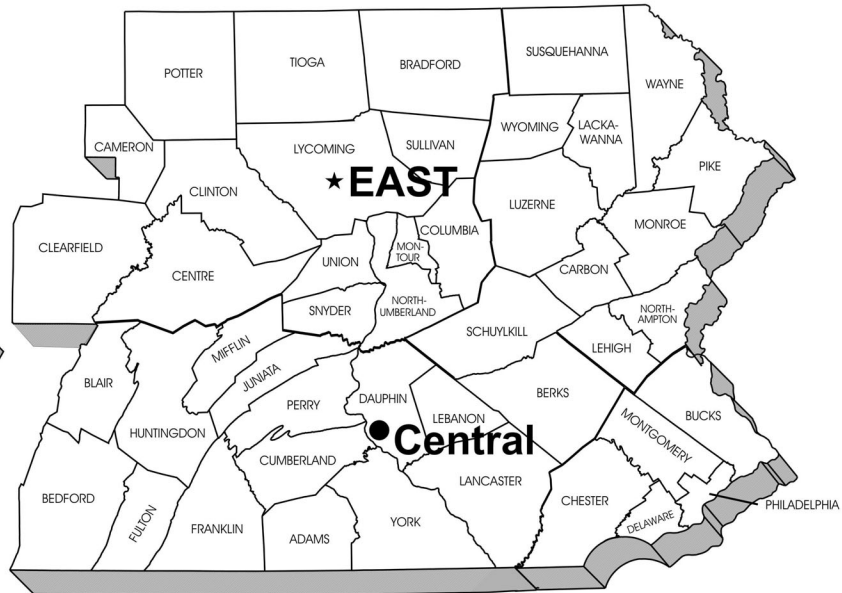
★ Northwest Region

230 Chestnut Street
Meadville, PA 16335-3481
(814) 332-6860



★ Eastern Region

208 West Third Street
Williamsport, PA 17701-6448
(570) 321-6550



★ Southwest Region

400 Waterfront Drive
Pittsburgh, PA 15222-4745
(412) 442-4024

● Central Office

Bureau of Oil and Gas Management
PO Box 8765
Harrisburg, PA 17105-8765
(717) 772-2199

GENERAL INSTRUCTIONS FOR OIL AND GAS WELL BONDS

1. Determine which bond forms are appropriate from the instructions and explanations in this booklet. Read bond forms and instructions thoroughly. Make sure you understand them before you begin to fill in a form. If you have any questions, contact one of DEP's regional oil and gas program offices.
2. The name of the corporation, company, partnership, individual, etc., on the bond must be identical to the name on all subsequent well permits to be covered by that bond.
3. Do not fill in the sections designated for "DEP Use Only."
4. The forms submitted must be originals provided by the Department. Type or print legibly. Typing is preferred, but hand printing in indelible blue or black ink is acceptable.
5. Do not use the example forms from this publication. For original bond forms, contact the regional office or download them from the DEP Web site, explained on the Introduction page.
6. Any correction, alteration, strike-through or white-out of any lines or words on a bond form, related document, or financial instrument must be initialed and dated by all parties signing that form, document or instrument. To avoid the possibility of an uncorrectable error on the form, please call the regional office bond clerk before making any such changes to information on the bond form.
7. In those portions of the bond forms that require a box to be checked, put an "X" in the box. If it is typed, make sure the "X" is in the box and not between the lines, or to the left or right of the box.
8. All surety bonds must be accompanied by a "Surety Power of Attorney". The date on the Power of Attorney must correspond with the execution date on the bond document.
9. All certificates of deposit must be accompanied by an *Assignment of Certificate of Deposit - Oil and Gas Collateral Bond* (5500-FM-OG0037), provided by the Department. The sections on the last page of the assignment must be completed by a Notary Public.
10. The name and title of the person(s) signing the bond forms must be typed or printed directly below the signature line.
11. The *Department Requirements for Execution of Bond Instruments* (5500-FM-OG0061) must be followed. See page 7 of this publication.
12. Persons identified in agreements, assignments, endorsements, collateral, etc., must be those who sign on the signature pages. Businesses must have the owner(s), corporate officer(s), or authorized representative(s) sign the forms.
13. Application for an oil and gas well bond will not be accepted from any corporation, limited liability company (LLC), limited liability partnership (LLP), partnership, or fictitious-named business that is not registered with the Corporation Bureau of Pennsylvania's Department of

State. A LLC must also submit a copy of its operating and partnership agreements. A LLC or partnership must submit a W-9 form to verify its federal Taxpayer ID number.

14. A good source of information on filing business registration documents with the Pennsylvania Department of State is the Corporate Guide, published by the Corporation Bureau. Copies and other information on business registration may be obtained by calling 717-787-1057. The Web site for the Corporation Bureau is www.dos.state.pa.us/corps. You can also connect to the PA Power Port on the Internet at <http://www.state.pa.us/> for a variety of information about starting a business in Pennsylvania.
15. Any time a permittee changes its name, a copy of the Articles of Amendment filed with the Corporation Bureau along with a surety rider or bank amendment is required. If the change is structural or involves a new operator, such as the result of a merger between entities or the change from a corporation to an Limited Liability Company (LLC) then new bonds must be executed and well permits must be transferred to the new name,
16. A “key” form is provided in this publication. Each space that must be completed is numbered. The number shown in a space on the form corresponds to the numbered item in the instructions on pages 9 through 14 of this booklet. If you have any questions, please contact the bond clerk at the appropriate regional office for information.



Checklist for Submitting Bonds for Oil and Gas Wells

* = Needed with every submittal.

A new operator must submit an Oil and Gas Operator's General Information Form with the bond application.

1. **Blanket Collateral Bond**, \$25,000 (for 10 or more wells drilled after April 17, 1985 and new permits to drill wells)
 - ☐ *Blanket Collateral Bond for Oil and Gas Wells (5500-FM-OG0036)
 - ☐ *Bond Exhibit A (5500-FM-OG0042)
 - ☐ *Collateral (e.g., certified, cashier's, or bank treasurer's check (made payable to the Commonwealth of PA), CD, negotiable securities, letter of credit)
 - ☐ If CD submitted, include Assignment of Certificate of Deposit - Oil and Gas Collateral Bond (5500-FM-OG0037)
 - ☐ Federal tax identification number or social security number (required only with submission of cash or check).
2. **Blanket Surety Bond**, \$25,000 (for 10 or more wells drilled after April 17, 1985 and new permits to drill wells)
 - ☐ *Blanket Surety Bond for Oil and Gas Wells (5500-FM-OG0041)
 - ☐ *Bond Exhibit A (5500-FM-OG0042)
 - ☐ *Surety Company Power of Attorney
3. **Single Well Collateral Bond**, \$2,500 (for one well drilled after April 17, 1985, or for one permit to drill a well)
 - ☐ *Collateral Bond for Single Oil or Gas Well (5500-FM-OG0035)
 - ☐ *Collateral (i.e. cash, certified/cashier's check (made payable to the Commonwealth of PA), CD, negotiable securities, letter of credit)
 - ☐ If CD submitted, include Assignment of Certificate of Deposit - Oil and Gas Collateral Bond (5500-FM-OG0037)
 - ☐ Bond Exhibit A (5500-FM-OG0042)
 - ☐ Federal tax identification number or social security number required with submission of cash or check.
4. **Phased-Payment Single Well Collateral Bond**, (for a new well permit for an individual only; \$500 initial payment, \$200 per year for 10 years; maximum 10 wells per year bonded this way)
 - ☐ *Phased Payment Collateral Bond for Single Oil or Gas Well (5500-FM-OG0062)
 - ☐ *Collateral (e.g., certified, cashier's, or treasurer's check (made payable to the Commonwealth of PA), CD, letter of credit, or negotiable securities)
 - ☐ If CD submitted, include Assignment of Certificate of Deposit - Oil and Gas Collateral Bond (5500-FM-OG0037)
 - ☐ *Bond Exhibit A (5500-FM-OG0042)
 - ☐ Federal tax identification number or social security number required with submission of cash or check.
5. **Single Well Surety Bond**, \$2,500 (for one well drilled after April 17, 1985, or for one permit to drill a well)
 - ☐ *Surety Bond for Single Oil or Gas Well (5500-FM-OG0039)
 - ☐ *Surety Company Power of Attorney
 - ☐ Bond Exhibit A (5500-FM-OG0042)
6. **Replacement Bonds**

For a single well bond, \$2,500

 - ☐ Collateral Bond for Single Oil or Gas Well (5500-FM-OG0035), Bond Exhibit A (5500-FM-OG0042), collateral, OR
 - ☐ Surety Bond for Single Oil or Gas Well (5500-FM-OG0039), Bond Exhibit A (5500-FM-OG0042), Power of Attorney

For a blanket bond, \$25,000

 - ☐ Blanket Collateral Bond for Oil and Gas Wells (5500-FM-OG0036), collateral, Bond Exhibit A, OR
 - ☐ Blanket Surety Bond for Oil and Gas Wells (5500-FM-OG0041), Power of Attorney, Bond Exhibit A,
7. **Transfer Bonded Wells to a New Operator** (All wells drilled after April 17, 1985 must be bonded)
 - ☐ *Application for Transfer of Well Permit or Registration form (5500-PM-OG0010)

For transfer to a new single well bond, \$2,500

 - ☐ Collateral Bond for Single Oil or Gas Well (5500-FM-OG0035), collateral, Bond Exhibit A, OR
 - ☐ Surety Bond for Single Oil or Gas Well (5500-FM-OG0039), Power of Attorney, Bond Exhibit A

For transfer to a new blanket bond, \$25,000

 - ☐ Blanket Collateral Bond for Oil and Gas Wells (5500-FM-OG0036), collateral, OR
 - ☐ Blanket Surety Bond for Oil and Gas Wells (5500-FM-OG0041), Surety Power of Attorney
 - ☐ *Bond Exhibit A (5500-FM-OG0042); be sure to identify the bond on the Exhibit A form



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM

DEPARTMENT REQUIREMENTS FOR EXECUTION OF BOND INSTRUMENTS

Signing Entity	Relevant Situation	What Is Always Sufficient	What Is Acceptable
Corporation	Collateral/Surety ¹ Bonds, Endorsements, Assignments and Other Related Documents	Two signatures -- one from each category. 1. President or Vice-President and 2. Secretary or Ass't Sec'y or Treasurer or Ass't Treasurer	One (1) Signature 1. President or Vice-President and 2. Affidavit that the signer is the sole corporate officer.
Limited Liability Company (LLC)	Collateral/Surety ¹ Bonds, Endorsements, Assignments and Other Related Documents	Signature(s) of authorized persons as set forth in the LLC's operating agreement. ⁶	Signature(s) of authorized persons as set forth in the LLC's operating agreement. ^{6, 7}
General Partnership	Collateral/Surety ¹ Bonds, Endorsements, Assignments and Other Related Documents	Signature of all partners. ⁶ (59 PA. C.S.A. §321)	Signatures of less than all partners if authorized in writing by all other partners. ^{2, 7}
Limited Partnership	Collateral/Surety ¹ Bonds, Endorsements, Assignments and Other Related Documents	Signatures of General partners. ⁶ (59 PA. C.S.A. §523)	Signatures of any General partners if authorized in writing by all other partners. ^{2, 7}
Registered Fictitious Name Business ³	Collateral/Surety ¹ Bonds, Endorsements, Assignments and Other Related Documents	Signatures, depending on type of entity.	Signatures, depending on type of entity.
Individual(s)	Collateral/Surety ¹ Bonds, Endorsements, Assignments and Other Related Documents	Signature of individual(s).	Signature of individual(s).
Bank	a. Assignment of CD or b. Letter of Credit	Signatures of: 1. President and 2. Treasurer or Cashier	One signature & proof of bank authorization ⁴ & signature of one witness. One signature & proof of bank authorization ⁵ & signature of one witness.
Limited Liability Partnership (LLP)	Collateral/Surety ¹ Bonds, Endorsements, Assignments and Other Related Documents	Signature(s) of authorized persons as set forth in the LLP's operating agreement.	Signature(s) of authorized persons as set forth in the LLP's operating agreement. ^{6, 7}

1. An Agent for the surety may sign bond forms for the surety company only when accompanied by the power of attorney dated the same as the execution date on the bond form.
2. Written authorization in the nature of a power of attorney required, signed by all partners. See **Footnote Number 2**, over.
3. Whenever an operator conducts business under a name other than his or her surname (last name) that operator must register as a fictitious name business with the Pennsylvania Corporation Bureau. 54 Pa. C.S. §302, *et seq.*
4. Bank authorization for CD assignments and Letters of Credit. See **Footnote Number 5**, over.
5. An LLC or LLP must submit a copy of its operating and partnership agreements along with the bond forms.
6. LLC's and all partnerships must verify the business' tax ID number by submitting a copy of IRS Form W9 with the bond forms.

Footnote Number 2:

Partner Authorization: Non-signing partners must submit to the Department a written statement, signed by these partners, which contains substantially the following:

The partner(s) signing the bond instrument is/are authorized:

To enter into bond agreements and related transactions under the Oil and Gas Act, as amended, 58 P.S. §601.101, *et seq.*

To execute the agreement for and on behalf of the entire partnership according to the terms of the bond agreement, including confession of judgment, assignment of collateral, and the state bond amount; and

To do so notwithstanding any contrary provision in the partnership agreement. Execution of bond instruments is binding upon the partnership as fully and amply as if they had been executed and acknowledged by all of the members of the partnership.

Furthermore, the date of the written consent must be the date of the bond instrument, or must state that the authority is continuing until the Department is notified in writing that the consent stated therein has been changed.

Footnote Number 5:

Bank Authorization for CD Assignments and Letters of Credit

In the event that the bank's by-laws authorize any other form of execution, including delegation of signature authority, the bank must submit a listing of the positions in the bank authorized to execute Letters of Credit and CD assignments accompanied by a written statement, signed by the President, as follows:

"I certify that the officers or persons in the below-listed positions in the bank, signing in such capacity, are authorized to execute Letters of Credit/CDs and related agreements and that by doing so they fully bind the bank under the terms of the Letters of Credit/CDs and related agreements.

This authorization is valid until the Pennsylvania Department of Environmental Protection is notified otherwise in writing" (list of positions the bank authorizes to execute Letters of Credit and related agreements).

The above Corporate Secretary's Certificate and Incumbency Certificate (if any) or the President's statement and List of Authorized Positions must accompany the Letter of Credit and Assurance Letter. Only one such Corporate Certificate and/or Incumbency Certificate or President's Statement and List of Authorized Positions need be submitted regardless of the number of Letters of Credit issued. If any changes to the lists of authorized officers or positions are made, new Corporate Secretary's Certificates and/or Incumbency Certificates or President's Statement and List of Authorized Positions must be submitted.

KEY TO REQUIRED INFORMATION ON BOND FORMS

The blanks on the bond forms and associated documents included in this package are numbered. Following is a description, by information item number, for completing each blank.

010 PURPOSE:

Check only one box for the purpose the bond is intended.

- (a) Original application for permit.
- (b) Replacement bond.
This box is to be checked only if the permittee is replacing bonds already on file with the Department.
- (c) Transfer of well permit or registration: (single well surety or collateral bond only).
This box should be checked only if the applicant is seeking to transfer the permit of a bonded well from another operator.

020 FARM NAME:

Provide farm name and well number.

030 WELL LOCATIONS:

Fill in the municipality and county.

040 BOND NUMBER:

This section applies to surety bonds only. Complete this section by adding the bond number assigned to this instrument by the surety company.

050 NAME OF OPERATOR:

The name of the operator must be the same name as on the permit application or registration.

051 SIGNATURE:

Sign in ink, and type name directly beneath the signature.

060 NAME OF STATE:

This section applies to corporations only. Spell out the name of the state in which the operator is incorporated. Do not use abbreviations

061 PARTNERSHIP, REGISTERED FICTITIOUS NAME BUSINESS, INDIVIDUAL:

If the operator is not incorporated, complete this section using only one of these to describe the operator, e.g., "Limited Partnership", "General Partnership", "Registered Fictitious Name Business", or "Individual".

062 OPERATOR ADDRESS:

This address must be the address of the operator. It must include street number, box number, or RFD, city or town, state and zip code.

063 NAME OF THE INDIVIDUAL SUBMITTING A PHASED PAYMENT COLLATERAL BOND.

- 070 SURETY COMPANY NAME:**
Spell out the name of the surety company.
- 071 SURETY ADDRESS:**
List the complete address of the surety company including street or box number, city or town, state and zip code.
- 072 SIGNATURE AND TITLES:**
One surety agent of the surety company -- the president, vice president, or assistant vice president -- must sign as allowed, described in accordance with *Department Requirements for Execution of Bond Instruments* (5500-FM-OG0061), on page 7 of this appendix. Type or print the name and the title directly beneath the signature line.
- 080 BOND AMOUNT:**
Fill in the amount of the Bond using words.
- 081 BOND AMOUNT:**
Fill in the amount of the Bond using numbers.
- 090 REPLACEMENT BOND:**
Fill in the permit or registration number of the well to be covered under the replacement bond.
- 100 BOND REPLACEMENT:**
Supply all information as requested for the bond(s) being replaced.
- 130 ATTACHMENTS:**
Check the appropriate box for the attachments to this bond. If “Other” is checked explain what the attachment is.
- 140 CROSS-OUT UNLESS ADDITIONAL PROVISIONS ARE INSERTED.**
- 150 DAY FORM SIGNED AND COMPLETED.**
- 151 MONTH FORM SIGNED AND COMPLETED.**
- 152 YEAR FORM SIGNED AND COMPLETED.**
- 153 DATE THE OPERATOR SIGNED THE BOND AGREEMENT FORM.**
That is, items 150, 151, and 152 from the (collateral) bond agreement form.
- 154 DATE OF CERTIFICATE OF DEPOSIT.**
- 160 CHECK THE APPROPRIATE BOX FOR THE WELLS LISTED (Check only one box.)**
- 170 WELL PERMIT NUMBERS:**
For bonding existing wells, list the well permit numbers, using Pennsylvania’s well API number format - for example, “063-56789”. If adding a new listing for a permit to be issued, leave this space blank, DEP clerical staff will assign the well API number when the permit is issued.

180 DATE FORM IS COMPLETED.

190 BOND TYPE:

If a surety bond, provide the surety company name and bond number.

200 NEGOTIABLE GOVERNMENT SECURITIES:

Complete this section if the collateral being placed on deposit is a negotiable bond of the United States Government (Treasury Notes or Treasury Bonds only, US Savings Bonds are not acceptable), the Commonwealth of Pennsylvania, the Pennsylvania Turnpike Commission, the General State Authority, the State Public School Building Authority, or any municipality within the Commonwealth of Pennsylvania. See “*Guidelines for Submission of Negotiable Government Securities*” (form 5500-FM-OG0032) on page 50 of this publication.

(A) NAME OF ISSUE AND BOND NUMBER:

Complete this section using the name of the agency issuing the bond and the bond number on the bond certificate.

(B) FACE VALUE:

Fill in the amount the bond will be worth at maturity.

(C) MARKET VALUE:

Fill in the estimated market value.

(D) SUBTOTAL:

If more than one negotiable bond is submitted, complete a line for each certificate. In this section, fill in the total of all lines. If additional space is needed, use an 8-1/2” by 11” attachment.

201 CERTIFICATES OF DEPOSIT OR IRREVOCABLE LETTERS OF CREDIT:

Complete this section if the collateral being placed on deposit is a Certificate of Deposit or an Irrevocable Letter of Credit. See “*Guidelines for Submissions of Collateral – Certificates of Deposit (CD’s) Under the Oil and Gas Act*” (form 5500-FM-OG0031) on page 48 of this publication, or “*Guidelines for Submission of Collateral – Letters of Credit*” (form 5500-FM-OG0051) on page 51 of this publication.

(A) BANK:

Full name of the financial institution issuing the certificate or letter.

(B) CERTIFICATE OR LETTER NUMBER:

Fill in the number of the Certificate of Deposit or the Letter of Credit that has been assigned to the Certificate of Deposit or Letter of Credit by the issuing institution.

(C) AMOUNT:

Fill in the present value of the certificate or letter. Do not fill in the amount at maturity.

(D) **SUBTOTAL:**

If more than one certificate of deposit or letter of credit is submitted, complete a line for each certificate or letter. In this section fill in the total of all lines. If additional space is needed, use an 8-1/2" x 11" attachment with appropriate heading.

202 CASH, CERTIFIED CHECK, CASHIER'S CHECK, TREASURER'S CHECK (made payable to the Commonwealth of PA):

If the collateral being placed on deposit is a certified check, cashier's check or treasurer's check, complete this section.

(A) **BANK:**

Full name of the financial institution that issued the check.

(B) **CHECK NUMBER:**

Fill in the number of the check that has been assigned by the bank.

(C) **AMOUNT:**

Fill in the amount of the check.

(D) **SUBTOTAL:**

If more than one check is submitted, complete a line for each check. If additional space is needed, use 8-1/2" x 11" attachment. In this space fill in the total of all lines in this section

203 TOTAL AMOUNT OF COLLATERAL:

Fill in the sum of items 200(D), 201(D), and 202(D).

210 NAMES AND ADDRESS OF FORMER OPERATOR:

Fill in the name and address of the operator from whom the permit is being transferred. This must be exactly as it appears on the transferor's documentation of the well permit or registration.

211 FOR THE FORMER OPERATOR:

Fill in the type of bond, and any identifying numbers and the date of bond issue.

212 SIGNATURE OF FORMER OPERATOR:

Sign in ink and print or type name and title directly below.

220 NAME AND ADDRESS OF NEW OPERATOR (include a telephone):

Fill in the name and address and telephone of operator to whom the well(s) are being transferred.

221 FOR THE NEW OPERATOR:

Fill in the type of bond, any identifying numbers and the date of bond issue.

222 SIGNATURE OF NEW OPERATOR:

Sign in ink and print or type name and title directly below.

- 230 WELL DATA:**
Fill in all information requested for each well to be transferred.
- 240 NAME OF ISSUING FINANCIAL INSTITUTION:**
Fill in the name of the financial institution as it appears on the certificate.
- 241 ADDRESS OF ISSUING FINANCIAL INSTITUTION (include a telephone):**
Fill in the issuer's complete business address, including street or box number, city or town, state, zip code and telephone number.
- 242 SIGNATURES AND TITLE:**
Two corporate officers of the issuing institution must sign, or other method as allowed in *Department Requirements for Execution of Bond Instruments* (form 5500-FM-OG0061). Type or print a signer's name and title directly beneath the signature line.
- 250 DESCRIPTION OF CERTIFICATE OF DEPOSIT:**
List each certificate on a separate line. See *Guidelines for Submission of Collateral – Certificates Of Deposit (CD's) Under the Oil and Gas Act* (form 5500-FM-OG0031).
- (A) C.D. NUMBER:
Fill in the certificate number assigned by the financial institution.
- (B) ISSUANCE DATE:
Fill in the date of the certificate.
- (C) DOLLAR AMOUNT:
Fill in the dollar amount of the face value of the certificate.
- (D) MATURITY DATE:
Fill in the date the certificate will mature.
- 260 STATE:**
Fill in the name of the state where the document is being notarized. This blank is to be filled in by the notary only.
- 261 COUNTY:**
Fill in the name of the county where the document is being notarized. This blank is to be filled in by the notary only.
- 262 DATE OF ASSIGNMENT:**
Fill in the date of notarization. This blank is to be filled in by the notary only.
- 263 NAMES AND TITLE:**
Fill in the name or title that is appropriate for the situation. This blank is to be filled in by the notary only.
- 264 HE, SHE, THEY:**
Fill in the word (he, she) that is appropriate for the situation. This blank is to be filled in by the notary only.

265 NOTARY PUBLIC SIGNATURES:

The notary public must sign this section and affix seal over the signature. This blank is to be filled in by the notary only.

266 NOTARY EXPIRATION:

Fill in the date when notary commission expires. A rubber stamped date is acceptable. This blank to be filled in by notary only.

267 NAME OF THE CORPORATION OR PARTNERSHIP OR FICTITIOUS NAME BUSINESS:

This blank to be filled in by notary only.

268 LLC, LLP, CORPORATION OR PARTNERSHIP OR FICTITIOUS NAME BUSINESS:

This blank to be filled in by notary only.

270 COLLATERAL DESCRIPTION:

Complete this section to describe the new collateral being deposited. If additional space is needed, use 8-1/2" x 11" attachments.

(A) NAME OF FINANCIAL INSTITUTION OR GOVERNMENT ISSUER:

Fill in the name of the issuer.

(B) TYPE OF COLLATERAL:

Fill in the type of collateral being deposited (e.g., C. D., T-Note, etc.)

(C) COLLATERAL ID NUMBER:

Fill in the identification number of the collateral that has been assigned to it by the issuer.

(D) DOLLAR AMOUNT:

Fill in the face value of the collateral being deposited.

(E) MARKET VALUE:

Fill in the estimated market value.

271 COLLATERAL TO BE REPLACED:

(A) NAME OF FINANCIAL INSTITUTION OR GOVERNMENT ISSUER:

Fill in the name of the issuer.

(B) TYPE OF COLLATERAL:

Fill in the type of collateral being deposited (e.g., C.D., T -note, etc.).

(C) COLLATERAL ID NUMBER:

Fill in the collateral's identification number assigned by the issuer.

(D) DOLLAR AMOUNT:

Fill in the face value of the collateral being deposited.

(E) MARKET VALUE:

Fill in the estimated market value.

SURETY BONDS

The operator may submit a single oil or gas well surety bond in the amount of \$2,500 for each well to be bonded, or a blanket surety bond in the amount of \$25,000 for all bondable wells in Pennsylvania. Surety bond forms should be completed using the numbered key provided. Attachments listed below must also be included:

BOND TYPE	REQUIRED ATTACHMENTS
Surety Bond for Single Oil or Gas Well (form 5500-FM-OG0039)	Surety's attorney-in-fact.
Blanket Surety Bond for Oil and Gas Wells (form 5500-FM-OG0041)	Surety's attorney-in-fact, and <i>Bond Exhibit A</i> form (5500-FM-OG0042) listing all wells to be covered by the bond.

If the operator is replacing a bond already on file with a surety bond, the form entitled *Surety Bond for Oil and Gas Well* (5500-FM-OG0039) or *Blanket Surety Bond for Oil and Gas Wells* (5500-FM-OG0041), whichever is appropriate, should be filed.

Each time a well permit is added to a blanket surety bond, a new *Bond Exhibit A* form (5500-M-OG0042) must be submitted also, listing the additional well permit numbers.

Each surety bond, whether for a single well or a blanket bond, must be accompanied by the surety's attorney-in-fact. The date of the attorney-in-fact must be such to authorize the execution of the bond form.

Any limitations on dollar amount must be equal to or greater than the dollar amount of the bond.

See **TRANSFER OF A WELL PERMIT FOR A BONDED WELL** (page 56) for discussion about the form, *Application for Transfer of Well Permit or Registration* (5500-PM-OG0010).



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM

7C-K-330

SURETY BOND

Single Oil or Gas Well

To be filled In by Operator:

(1) Purpose (check only one):

☐ (a) Original Bond☐ (b) Replacement Bond

(2) Farm Name and Number _____

(3) Well Location: Municipality _____

(4) Well Location: County _____

To be filled in by Department of Environmental Protection

Well Permit/Registration No. _____

Date of Bond Issuance: _____

Date of Plugging Certificate Filing: _____

Date of Bond Release: _____

(To be filled in by Surety Company:)

Bond No. _____

WHEREAS, _____ ("Operator"),
(Name of Well Operator)

(a) a Corporation, incorporated under the laws of the State of _____, or
(Name of State)

(b) a(n) _____,
(Limited/General Partnership, Registered Fictitious Name Business, Individual or Other)

with its principal place of business at _____
(Operator Address and Telephone Number)

has filed with the Department of Environmental Protection ("Department") an application for a permit to drill and operate a new oil or gas well or to operate an existing permitted or registered well under the Act of December 19, 1984 (P.L. 1140), as amended, known and referred to herein as the Oil and Gas Act (58 P.S. §601.101 et. seq.);

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS that the Operator, as principal, and

(Name of Surety Company) ("Surety")

with its principal place of business at _____
(Surety Address and Telephone Number)

licensed to do business in the Commonwealth of Pennsylvania, and approved by the Secretary of the Department of Environmental Protection, as surety, in consideration of the issuance of the Permit/Registration, are held and firmly bound unto the Department, in the just and full sum of _____ Dollars

(\$ _____), to the payment whereof, well and truly to be made, we bind ourselves, our heirs, executors, administrators, assigns and successors, jointly and severally, firmly by these presents:

1. **Condition of the Obligation.** If the principal shall faithfully perform and conform to all of the applicable drilling, restoration, water supply replacement and plugging requirements of the following:

- (a) the Oil and Gas Act;
- (b) all subsequent amendments and additions made to the Oil and Gas Act;
- (c) all rules and regulations now or hereafter promulgated under the Oil and Gas Act;
- (d) the terms and conditions of the Permit, and all amendments or additions; and
- (e) all Department orders issued relating to Operator conduct under the Permit

(the requirements described in (a) through (e), inclusive, immediately above, collectively called the "Law"); then this obligation shall be null and void, otherwise to be and remain in full force and effect.

2. **Amount and Duration of Bond Liability.** Liability upon this bond agreement shall be for the amount specified herein. Liability upon this bond agreement shall continue until the well is properly plugged in accordance with the Oil and Gas Act, and for a period of one (1) year after a Certificate of Plugging is filed with and approved by the Department, unless released in whole or in part by the Department, in writing, prior thereto, as provided by the Law. It is hereby acknowledged and agreed by and among the parties that the liability upon this bond is a penal sum, and the Department retains a property interest in such surety guarantee, and any related agreements, until release of such liability by the Department in writing as provided by law.

3. **Default.** Upon the happening of any default of the provisions, conditions and obligations assumed under this bond agreement and the declaration of a forfeiture by the Secretary, or his designee, the principal and the surety hereby authorize and empower the Attorney General of the Commonwealth of Pennsylvania, or any other attorney of any court of record in Pennsylvania or elsewhere, by him deputized for the purpose, to appear for and confess judgment against the principal and/or the surety, their heirs, executors, administrators, successors or assigns, in favor of the Commonwealth for any sum or sums of money which may be due hereunder, with or without defalcation or declaration filed, with interest and cost, with release of errors, without stay of execution, and with ten percent (10%) added for collection fees, and for the exercise of this power, this instrument, or a copy thereof, any rule of court to the contrary notwithstanding, shall be full warrant and authority. This power shall be inexhaustible. The principal and surety further agree that execution may issue upon judgment so confessed for the full amount of money and accrued interest that is owing from the principal and/or surety to the Commonwealth, with costs and collection fee, upon filing information in writing in the court where such judgment shall be entered.

4. **Events Not Affecting Bond Liability.** The principal and the surety agree that their liability under this agreement shall not be impaired or affected by (1) any renewal or extension of the time for performance of any of the provisions, conditions or obligations upon which this bond agreement is based; or (2) any forbearance or delay in declaring this bond to be forfeit or in enforcing payment on this bond.

5. **No Surety Right to Perform.** The surety hereby agrees and acknowledges that it has no right to cover or perform the obligations of the principal upon the principal's default; provided, however, that the Department may authorize, in writing the surety to perform such defaulted obligations in lieu of collection of the bond amount if the Department determines that it is in the Department's interest to do so.

6. **Remedies.** Nothing herein shall limit or preclude the Department from seeking any remedy, in addition to the forfeiture of this bond, which may be authorized or provided by law.

7. **Replacement Bond:**

☐ **Replacement Bond.** This bond is submitted pursuant to Well Permit/Registration

No. _____.

This bond assumes and covers any and all liability and obligations accrued and to be accrued under the Law from April 18, 1985. This bond replaces the following existing bonds:

Date of Bond	Type of Bond (Surety or Collateral)	Name of Surety, Financial institution, or Govt. Issuer	Type of Collateral	Surety Bond No./ Collateral ID No.	Dollar Amount
--------------	--	--	--------------------	---------------------------------------	---------------

This bond assumes and covers any and all liability and obligations accrued on the former Operator's permit/registration and to be accrued on the new Operator's permit/registration under the Law from April 18, 1985.

8. **Attachments** (check one or more, if applicable):

☐ (a) Surety Power of Attorney

☐ (b) Other: _____

9. **Other Provisions** (insert additional provisions or cross out):

--

10. **Headings.** The paragraph headings herein are for descriptive purposes only and are intended to have no legal force or effect.

IN WITNESS WHEREOF, the Surety and Operator hereunto set their hands and seals, intending to be legally bound hereby, this _____ day of _____, 20____.

SURETY:

(Print Surety Name)

By: _____
(Signature)

(Print or Type Name and Title)

By: _____
(Signature)

(Print or Type Name and Title)

Approved as to legality and form:

PRE-APPROVED OAG 3/22/99
Office of Attorney General

Chief Counsel/Assistant Counsel
Department of Environmental Protection

OPERATOR:

(Print or Type Operator Name)

By: _____
(Signature)

(Print or Type Name and Title)

By: _____
(Signature)

(Print or Type Name and Title)

Approved for the Department:

Department Representative

ACKNOWLEDGEMENT OF INDIVIDUALS (OPERATOR)

STATE OF _____:

COUNTY OF _____: ss:

On _____, before me, the undersigned individual, personally appeared
(Date)

(Name)

known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged
that _____ executed the same for the purposes therein contained.
(he or she)

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) _____ My Commission Expires _____
(Notary Public Signature) (Date)

ACKNOWLEDGEMENT OF CORPORATIONS/PARTNERSHIPS/ REGISTERED FICTITIOUS NAME BUSINESS (OPERATOR)

STATE OF _____:

COUNTY OF _____: ss:

On _____, before me, the undersigned officer, personally appeared
(Date)

_____ and _____
(Name) (Name)

who acknowledged themselves to be the _____ and
(Title of Person)

_____, respectively, of _____,
(Title of Person) (Name of Corporation, Partnership or Registered Fictitious Name Business)

a _____, and that they as such (officers/partners/owners)
(Corporation, Partnership or Registered Fictitious Name Business)

being authorized to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) _____ My Commission Expires: _____
(Notary Public Signature) (Date)



BLANKET SURETY BOND FOR OIL AND GAS WELLS

TO BE FILLED IN BY OPERATOR:

To be filled in by Surety Company:

Purpose (check only one):

Bond No. _____

☐ (a) Original Bond☐ (b) Replacement Bond

WHEREAS, _____ ("Operator"),
(Name of Well Operator)

(1) a Corporation, incorporated under the laws of the State of _____, or
(Name of State)

(2) a(n) _____,
(Limited/General Partnership, Registered Fictitious Name Business, Individual or Other)

with its principal place of business at _____
(Operator Address and Telephone Number)

_____, has filed with the Pennsylvania Department of Environmental Protection ("Department") applications for permits to drill and operate new oil and gas wells or to operate existing permitted or registered wells under the Act of December 19, 1984 (P.L. 1140), as amended, known, and referred to in this agreement as the Oil and Gas Act (58 P.S. §601.101 *et seq.*); and

WHEREAS, in lieu of individual bonds for each single well, the Operator has chosen to file this blanket surety bond agreement covering all of its wells in Pennsylvania, as listed on the Blanket Bond Exhibit "A" attached and made a part of this agreement for all purposes as well as any and all subsequent well permits/registrations;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS that the Operator, as principal and

_____, ("Surety")
(Name of Surety Company)

with its principal place of business at _____,
(Surety Address and Telephone Number)

licensed to do business in the Commonwealth of Pennsylvania, and approved by the Secretary of the Department of Environmental Protection, as surety, in consideration of the issuance of the Permits or Registrations, are held and firmly bound unto the Department in the just and full sum of _____ Dollars (\$_____), to the payment whereof, well and truly to be made, we bind ourselves, our heirs, executors, administrators, assigns and successors, jointly and severally, firmly by these presents:

1. **Condition of the Obligation.** If the principal shall faithfully perform and conform to all of the applicable drilling, restoration, water supply replacement and plugging requirements of the following:

- (a) the Oil and Gas Act;
- (b) all subsequent amendments and additions made to the Oil and Gas Act;
- (c) all rules and regulations now or hereafter promulgated under the Oil and Gas Act;
- (d) the terms and conditions of the permits, and all amendments or additions; and
- (e) all Department orders issued relating to Permittee/Registrant conduct under the Permit

(the requirements described in (a) through (e), inclusive, immediately above, collectively called the "Law"); then this obligation shall be null and void, otherwise to be and remain in full force and effect.

2. **Wells Covered by this Bond.** This bond agreement assumes and covers any and all liability and obligations accrued and to be accrued on all well permits/registrations issued under this bond and all well permits/registrations transferred to and added to this blanket bond, under the Law, from April 18, 1985, until such time as the Department shall release, in writing, such liability and obligations. Such liability and obligations shall include those on existing wells transferred to the Operator. The Operator has filed Blanket Bond Exhibit "A"(s) with the Department, or Request to Transfer Well Permit or Registration, or other permit/registration documents which enumerate wells permitted/registered and to which liability shall be accrued under this bond agreement. The Operator and Surety expressly agree that this blanket bond shall cover all additional wells for which the Operator obtains a well permit or registration in Pennsylvania. The Surety agrees to such addition of wells to be covered by this agreement, and waives any rights of prior notice or refusal of such addition of wells.

3. **Amount and Duration of Bond Liability.** Liability upon this bond agreement shall be for the amount specified herein. Liability upon this bond agreement shall continue until the wells are properly plugged in accordance with the Oil and Gas Act, and for a period of one (1) year after a Certificate of Plugging is filed with the Department and approved for every well, unless released by the Department, in writing, prior thereto, as provided by the Law. It is hereby acknowledged and agreed by and among the parties that the liability upon this bond is a penal sum, and as such the Department retains a property interest in such surety guarantee, and any related agreements, until release of such liability by the Department in writing as provided by law.

4. **Default.** Upon the happening of any default of the provisions, conditions and obligations assumed under this bond agreement and the declaration of a forfeiture by the Secretary, or his designee, the principal and the surety hereby authorize and empower the Attorney General of the Commonwealth of Pennsylvania, or any other attorney of any court of record in Pennsylvania or elsewhere, by him deputized for the purpose, to appear for and confess judgment against the principal and/or surety, their heirs, executors, administrators, successors or assigns, in favor of the Commonwealth for any sum or sums of money, which may be due hereunder, with or without defalcation or declaration filed, with interest and cost, with release of errors, without stay of execution, and with ten percent (10%) added for collection fees, and for the exercise of this power, this instrument, or a copy thereof, any rule of court to the contrary notwithstanding, shall be full warrant and authority. This power shall be inexhaustible. The principal and surety further agree that execution may issue upon judgment so confessed for the full amount of money and accrued interest that is owing from the principal and/or surety of the Commonwealth, with costs and collection fee, upon filing information in writing in the court where such judgment shall be entered.

5. **Events Not Affecting Bond Liability.** The principal and surety agree that their liability under this agreement shall not be impaired or affected by (1) any renewal or extension of the time for performance of any of the provisions, conditions or obligations upon which this bond agreement is based; or (2) any forbearance or delay in declaring this bond to be forfeit or in enforcing payment on this bond.

6. **No Surety Right to Perform.** The surety hereby agrees and acknowledges that it has no right to cover or perform the obligations of the principal upon the principal's default; provided, however, that the Department may authorize, in writing, the surety to perform such defaulted obligations in lieu of collection of the bond amount if the Department determines that it is in its interest to do so.

7. **Remedies.** Nothing herein shall limit or preclude the Department from seeking any remedy, in addition to the forfeiture of this bond agreement, which may be authorized or provided by law.

8. **Replacement Bond.** This bond agreement assumes and covers any and all liability and obligations accrued and to be accrued under the Law from April 18, 1985. This bond replaces the following existing bonds:

Date of Bond	Type of Bond (Surety or Collateral)	Name of Surety, Financial Institution, or Govt. Issuer	Type of Collateral	Surety Bond No./ Collateral ID No.	Dollar Amount
--------------	--	--	--------------------	------------------------------------	---------------

9. **Attachments (check one or more, if applicable):**

☐ (a) Surety Power of Attorney

☐ (b) Blanket Bond Exhibit A

☐ (c) Other: _____

10. **Other Provisions.** (Insert additional provision or cross out)

11. **Headings.** The paragraph headings herein are for descriptive purposes only and are intended to have no legal force or effect.

IN WITNESS WHEREOF, the Principal and Surety hereunto sets their hands and seals, intending to be legally bound hereby, this _____ day of _____, 20_____.

SURETY:

(Print or Type Name of Surety)

By: _____

(Signature)

(Print or Type Name and Title)

By: _____

(Signature)

(Print or Type Name and Title)

OPERATOR:

(Print or Type Operator Name)

By: _____

(Signature)

(Print or Type Name and Title)

By: _____

(Signature)

(Print or Type Name and Title)

Approved as to legality and form:

PRE-APPROVED OAG 3/22/99

Office of Attorney General

Approved for the Department:

Department Representative

Chief Counsel/Assistant Counsel
Department of Environmental Protection

**ACKNOWLEDGEMENT OF INDIVIDUALS
(OPERATOR)**

STATE OF _____ :

COUNTY OF _____ : ss:

On _____, before me, the undersigned individual, personally appeared
(Date)

(Name)

known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that _____ executed the same for the purposes therein contained.
(he or she)

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) _____
(Notary Public Signature)

My Commission Expires: _____
(Date)

**ACKNOWLEDGEMENT OF CORPORATIONS/PARTNERSHIPS/
REGISTERED FICTITIOUS NAME BUSINESS
(OPERATOR)**

STATE OF _____ :

COUNTY OF _____ : ss:

On _____, before me, the undersigned officer, personally appeared
(Date)

_____ and _____
(Name) (Name)

who acknowledged themselves to be the _____
(Title of Person)

and _____, respectively, of _____,
(Title of Person) (Name of Corporation, Partnership or Registered Fictitious Name Business)

a _____, and that they as such (officers/partners/owners)
(Corporation, Partnership or Registered Fictitious Name Business)

being authorized to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) _____
(Notary Public Signature)

My Commission Expires: _____
(Date)



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM

DEP USE ONLY

DEP Client ID #

Bond Agreement #

BOND EXHIBIT A

For any wells to be covered under a Surety or Collateral Bond.

The listed well(s) are (check one):

☐ Well(s) to be drilled.

☐ Existing permitted well(s) to be bonded.

051

Signature

050

Operator Name

051

Type or Print Name and Title

062

Address and Telephone Number

Bond Type

☐ Collateral

200A, or 201 A&B, or 202 A&B

Financial Institution and (Primary) Instrument ID#

☐ Surety

190

Company and Bond Number

Farm Name and Well Number	Permit Number (for existing wells)	FOR DEP USE ONLY
020	170	<div style="border: 1px solid black; padding: 10px; text-align: center;"> Blanket Surety Bond Key Form </div>

COLLATERAL BONDS

To satisfy the bonding requirements of the Oil and Gas Act, the operator may file a collateral bond in the amount of \$2,500 for each individual well, or a blanket collateral bond in the amount of \$25,000 for all wells required to be bonded. It is acceptable to submit collateral in excess of the required dollar amounts; if the bond is forfeited, only the required amount will be held.

A collateral bond for a single well permit or registration must be filed using the DEP form *Collateral Bond for Single Oil or Gas Well* (5500-FM-OG0035) and the actual collateral. A blanket collateral bond must be filed using the DEP form *Blanket Collateral Bond for Oil and Gas Wells* (5500-FM-OG0036) accompanied by Bond Exhibit A (5500-FM-OG0042) and the actual collateral. Each time wells are added to the blanket bond, a new Bond Exhibit A (5500-FM-OG0042) must be filed with the Department listing the additional well permits or registration numbers.

If the operator is replacing a bond already on file with the Department with a collateral bond, the new collateral bond *Collateral Bond for Single Oil or Gas Well* (5500-FM-OG0035), or *Blanket Collateral Bond for Oil and Gas Wells* (5500-FM-OG0036 accompanied by Bond Exhibit A), and the actual collateral must be submitted to the Department. The operator must indicate that the bond is a replacement bond and list the bond being replaced.

When certificates of deposit are offered as collateral the form *Assignment of Certificate of Deposit Oil and Gas Collateral Bond* (5500-FM-OG0037) must be submitted along with the appropriate bond form. See *Guidelines For Submission Of Collateral – Certificate Of Deposit (CD's) Under The Oil and Gas Act* (5500-FM-OG0031), page 48 in this publication.

When negotiable Government securities are to be offered for collateral, see *Guidelines for Submission of Negotiable Government Securities* (5500-FM-OG0032), page 50 in this publication.

When a bank Letter of Credit is offered for collateral, see *Guidelines for Submission of Collateral Letters of Credit* (5500-FM-OG0051), page 51 in this publication.



COLLATERAL BOND For Single Oil or Gas Well

To be filled in by Operator:

(1) Purpose (check only one):

- ☐ (a) Original Bond;
☐ (b) Replacement Bond;

(2) Farm Name and Number: _____

(3) Well Location: Municipality _____

(4) Well Location: County _____

To Be Filled In By Department of Environmental Protection

Well Permit/Registration No. _____

Date of Bond Issuance: _____

Date of Plugging Certificate Filing: _____

Date of Bond Release: _____

WHEREAS, _____, ("Operator"),
(Name of Well Operator)

(1) a Corporation, incorporated under the laws of the State of _____, or
(Name of State)

(2) a(n) _____,
(Limited/General Partnership, Registered Fictitious Name Business, Individual or Other)

with its principal place of business at _____
(Operator Address and Telephone Number)

has filed with the Pennsylvania Department of Environmental Protection ("Department") an application for a permit to drill and operate a new oil or gas well or to operate an existing permitted or registered well under the Act of December 19, 1984 (P.L. 1140), as amended, known and referred to herein as the Oil and Gas Act (58 P.S. §601.101 *et seq.*);

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS that the Operator, in consideration of the issuance of the Permit or Registration, is held and firmly bound unto the Department, in the just and full sum of

_____ Dollars (\$_____),

to the payment whereof, well and truly to be made, the Operator does hereby bind itself, its heirs, executors, administrators, assigns, and successors, firmly by these presents:

1. Condition of the Obligation. If the Operator shall faithfully perform and conform to all of the applicable drilling, restoration, water supply replacement and plugging requirements of the following:

- (1) the Oil and Gas Act;
- (2) all subsequent amendments and additions made to the Oil and Gas Act;
- (3) all rules and regulations now or hereafter promulgated under the Oil and Gas Act;
- (4) the terms and conditions of the Permit, and all amendments or additions; and
- (5) all Department orders relating to Operator conduct under the Permit (the requirements described in (1) through (5), inclusive, immediately above, collectively called the "Law");

then this obligation shall be null and void, otherwise to be and remain in full force and effect.

2. Amount and Duration of Bond Liability. Liability upon this bond agreement shall be for the amount specified herein. Liability upon this bond agreement shall continue until the well is properly plugged in accordance with the Oil and Gas Act, and for a period of one (1) year after a certificate of plugging is filed with the Department, unless released in whole by the Department, in writing, prior thereto, as provided by the Law. It is hereby acknowledged that the liability upon this bond is a penal sum, and the Commonwealth retains a property interest in such collateral until release of such liability in writing as provided by law, notwithstanding the insolvency or other financial incapacity of the Operator.

3. Description of Collateral. For the purpose of securing this obligation, the Operator hereby deposits the following collateral in lieu of a surety bond, in accordance with the provisions of the Law:

DESCRIPTION OF COLLATERAL

(a) Negotiable Government Securities

Name of Issue & Bond No.	Face Value	Market Value	DEP Use Only: Market Value/Date
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Sub Total:		_____	_____

(b) Certificates of Deposit or Irrevocable Stand-by Letters of Credit

Issuer	Certificate/Letter No.	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
Sub Total:		_____

- (c) Cash, Certified Check, Cashier's Check, Treasurer's Check (made payable to the Commonwealth of PA). No interest shall be credited by the Commonwealth on the preceding collateral.

Issuer	Check No.	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
Sub Total:		_____

Total Amount of Collateral: _____

(Add (a), (b) and (c) immediately above)

4. Status and Disposition of Collateral in Possession of the Commonwealth. The Operator agrees that the Commonwealth retains a property interest in the collateral deposited pursuant to this bond agreement, for the term stated herein. The Secretary of the Department shall, upon receipt of deposits of collateral, immediately place the same with the State Treasurer of the Commonwealth of Pennsylvania, who shall receive and hold the same in the name of the Commonwealth for the purposes for which such deposits are made and in accordance with the terms of this bond agreement. Where negotiable securities deposited mature or are called, the State Treasurer, at the request of the Operator, may convert such securities into other securities designated by the Operator and acceptable for deposit under the Law. The Operator hereby nominates, constitutes and appoints the State Treasurer, its attorney in fact, for the purpose of endorsing and negotiating said securities or any part thereof and for the purpose of converting the collateral as described in this paragraph.

5. Default. Upon the happening of any default of the provisions, conditions and obligations assumed under this bond agreement and the declaration of a forfeiture by the Secretary of the Department, or his designee, the Operator hereby authorizes and empowers the State Treasurer, its attorney in fact, to liquidate the said collateral and deposit the proceeds to the account of the Department. The Operator agrees that all interest accrued after forfeiture is declared by the Department shall be property of the Commonwealth.

6. Events Not Affecting Operator Bond Liability. The Operator agrees that its liability hereunder shall not be impaired or affected by (1) any renewal or extension of the time for performance of any of the provisions, conditions or obligations upon which this bond agreement is based; or (2) any forbearance or delay in declaring this bond to be forfeit or in enforcing payment on this bond.

7. Remedies. Nothing herein shall limit or preclude the Department from seeking any remedy, in addition to the forfeiture of this bond, which may be authorized or provided by law.

8. Replacement Bond.

- ☐ (a) **Replacement Bond.** This bond agreement is submitted pursuant to Well Permit/Registration No. _____. This bond agreement assumes and covers any and all liability and obligations accrued and to be accrued under the Law from April 18, 1985. This bond replaces the following existing bonds:

Date of Bond	Type of Bond (Surety or Collateral)	Name of Surety Financial Institution or Govt. Issuer	Type of Collateral	Surety Bond No./ Collateral ID No.	Dollar Amount
--------------	--	--	--------------------	---------------------------------------	---------------

This bond assumes and covers any and all liability and obligations accrued on the former Operator's well permit/registration and to be accrued on the new Operator's permit/registration under the Law from April 18, 1985.

9. Attachments (check one or more, if applicable):

☐ (a) Assignment of Certificate of Deposit

☐ (b) Other: _____

10. Other Provisions (Insert additional provisions or cross out):

--

11. Headings. The paragraph headings herein are for descriptive purposes only and are intended to have no legal force or effect.

IN WITNESS WHEREOF, the Operator hereunto sets its hand and seal, intending to be legally bound hereby,
this _____ day of _____, 20_____.

OPERATOR:

(Print or Type Operator Name)

By: _____
(Signature)

(Print or Type Name and Title)

By: _____
(Signature)

(Print or Type Name and Title)

Approved as to legality and form:

Approved for the Department:

PRE-APPROVED OAG 3/22/99
Office of Attorney General

Department Representative

Chief Counsel/Assistant Counsel
Department of Environmental Protection

**ACKNOWLEDGEMENT OF INDIVIDUALS
(OPERATOR)**

STATE OF _____ :

COUNTY OF _____ : SS:

On _____, before me, the undersigned individual, personally appeared
(Date)

(Name)

known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that _____ executed the same for the purposes therein contained.
(he, she)

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) _____ My Commission Expires: _____
(Notary Public Signature) (Date)

**ACKNOWLEDGEMENT OF CORPORATIONS/PARTNERSHIPS/
REGISTERED FICTITIOUS NAME BUSINESS
(OPERATOR)**

STATE OF _____ :

COUNTY OF _____ : SS:

On _____, before me, the undersigned officer, personally appeared
(Date)

_____ and _____
(Name) (Name)

who acknowledged themselves to be the _____ and
(Title of Person)

_____, respectively, of _____,
(Title of Person) (Name of Corporation, Partnership or Registered Fictitious Name Business)

a _____, and that they as such (officers/partners/owners) being
(Corporation, Partnership or Registered Fictitious Name Business)

authorized to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) _____ My Commission Expires: _____
(Notary Public Signature) (Date)



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM

7C-K-340

BLANKET COLLATERAL BOND FOR OIL AND GAS WELLS

TO BE FILLED IN BY OPERATOR:

(1) Purpose, check one:

(a) Original Bond ☐ **010**

(b) Replacement Bond ☐

WHEREAS, **050** _____ ("Operator"), a
(Name of Well Operator)

(1) Corporation, incorporated under the Laws in the State of **060** _____, or
(Name of State)

(2) **061** _____,
(Limited/General Partnership, Individual, Registered Fictitious Name Business or Other)

with its principal place of business at **062** _____
(Operator Address and Telephone Number)

has filed with the Department of Environmental Protection ("Department") applications for permits to drill and operate new oil and gas wells or to operate existing permitted or registered wells under the Act of December 19, 1984 (P.L. 1140), as amended, known, and referred to herein as the Oil and Gas Act (58 P.S. §601.101 *et seq.*); and whereas, in lieu of individual bonds for each single well, the Operator has chosen to file this blanket collateral bond covering all of its wells in Pennsylvania, as listed on the Blanket Bond Exhibit A(s) attached and made part of this agreement for all purposes, as well as any and all subsequent well permits/applications.

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS that the Operator, in consideration of the issuance of the permits/registrations, is held and firmly bound unto the Department, in the just and full sum of _____
080 Dollars (\$ **081**) to the payment whereof, well and truly to be made, the Operator does hereby bind itself, its heirs, executors, administrators, assigns and successors, firmly by these presents:

1. **Condition of the Obligation.** If the Operator shall faithfully perform and conform to all of the applicable drilling, restoration, water supply replacement and plugging requirements of the following:

- (a) the Oil and Gas Act;
- (b) all subsequent amendments and additions made to the Oil and Gas Act;
- (c) all rules and regulations now or hereafter promulgated under the Oil and Gas Act;
- (d) the terms and conditions of the permits, and all amendments or additions; and

(e) all Department orders relating to operator conduct under the permits (the requirements described in (a) through (e), inclusive, immediately above, collectively called the "Law"); then this obligation shall be null and void, otherwise to be and remain in full force and effect.

2. **Wells Covered by this Bond.** This bond agreement assumes and covers any and all liability and obligations accrued and to be accrued on all well permits/registrations issued under this blanket bond and all well permits/registrations transferred to and added to this blanket bond, under the Law, from April 18, 1985, until such time as the Department shall release, in writing, such liability and obligations. Such liability and obligations shall include those on existing wells transferred to the Operator. The Operator has filed with the Department Blanket Bond Exhibit "A"(s), or Request to Transfer Well Permit or Registration, or other permit/registration documents which enumerate wells permitted, and/or registered and for which liability shall be accrued under this bond agreement. The Operator expressly agrees that this blanket bond shall cover all additional wells for which the Operator obtains a well permit or registration in Pennsylvania. All parties to this bond agreement agree to such addition of wells to be covered by this bond agreement, and waive any rights of prior notice or refusal.

3. **Amount and Duration of Bond Liability.** Liability upon this bond agreement shall be for the amount specified herein. Liability upon this bond agreement shall continue until the wells are properly plugged in accordance with the Oil and Gas Act, and for a period of one (1) year after a certificate of plugging is filed with and approved by the Department for every well, unless released by the Department, in writing, prior thereto, as provided by the law. It is hereby acknowledged and agreed that the liability upon this bond is a penal sum, and as such the Department retains a property interest in such collateral until release of such liability in writing as provided by law, notwithstanding the insolvency or other financial incapacity of the Operator.

4. **Description of Collateral.** For the purpose of securing this obligation, the Operator hereby deposits the following collateral in lieu of a surety bond, in accordance with the provisions of the law:

DESCRIPTION OF COLLATERAL

(a) Negotiable Government Securities

			DEP USE ONLY Market Value Date
Name of Issue & Bond No.	Face Value	Market Value	
200 (A)	200 (B)	200 (C)	
Sub Total:		200 (D)	

(b) Certificate of Deposit or Irrevocable Stand-by Letters of Credit

Issuer	Certificate/Letter No.	Amount
201 (A)	201 (B)	201 (C)
Sub Total:		201 (D)

- (c) Cash, Certified Check, Cashier's Check, Treasurer's Check. No interest shall be credited by the Commonwealth on the preceding collateral.

Issuer	Check No.	Amount
202 (A)	202 (B)	202 (C)
_____	_____	_____
_____	_____	_____
_____	_____	_____
	Sub Total:	202 (D)

Total Amount of Collateral 203
(Add (a), (b) and (c) immediately above)

5. **Handling of Collateral by the Commonwealth.** The Operator agrees that the Commonwealth retains a property interest in the collateral deposited pursuant to this bond agreement, for the term stated herein. The Secretary of the Department shall, upon receipt of deposits of collateral, immediately place the same with the State Treasurer of the Commonwealth of Pennsylvania, who shall receive and hold the same in the name of the Commonwealth for the purposes for which such deposits are made and in accordance with the terms of this bond agreement. Where negotiable securities deposited mature or are called, the State Treasurer, at the request of the Operator, may convert such securities into other securities designated by the Operator and acceptable for deposit under the Law. The Operator hereby nominates, its attorney in fact, for the purpose of endorsing and negotiating said securities or any part thereof and for the purpose of converting the collateral as described in this paragraph.

6. **Default.** Upon the happening of any default of the provisions, conditions and obligations assumed under this bond agreement and the declaration of a forfeiture by the Secretary of the Department, or his designee, the Operator hereby authorizes and empowers the State Treasurer as its attorney in fact, to liquidate the said collateral and deposit the proceeds to the account of the Department. Any interest or income accruing to such collateral after the date of declaration of forfeiture shall be deemed property of the Commonwealth.

7. **Events Not Affecting Operator Bond Liability.** The Operator agrees that its liability hereunder shall not be impaired or affected by (1) any renewal or extension of the time for performance of any of the provisions, conditions or obligations upon which this bond agreement is based; or (2) any forbearance or delay in declaring this bond to be forfeit or in enforcing payment on this bond.

8. **Remedies.** Nothing herein shall limit or preclude the Department from seeking any remedy, in addition to the forfeiture of this bond, which may be authorized or provided by law.

9. **Replacement Bond.** This bond agreement assumes and covers any and all liability and obligations accrued and to be accrued under the Law from April 18, 1985. This bond agreement replaces the following existing bonds:

Date of Bond	Type of Bond (Surety or Collateral)	Name of Surety, Financial institution, or Govt. Issuer	Type of Collateral	Surety Bond No./ Collateral ID No.	Dollar Amount
	100				

10. **Attachments (check one or more, if applicable):**

☐ (a) Assignment of Certificate of Deposit

☐ (b) Blanket Bond Exhibit "A"

☐ (c) Other: **130**

11. **Other Provisions.**

140

12. **Headings.** The paragraph headings herein are for descriptive purposes only and are intended to have no legal force or effect.

IN WITNESS WHEREOF, the Operator sets its hand and seal, intending to be legally bound hereby, this 150 day of 151, 20 152.

OPERATOR:

050

(Print or Type Operator Name)

051

By: _____
(Signature)

051

(Print or Type Name and Title)

051

By: _____
(Signature)

051

(Print or Type Name and Title)

Approved as to legality and form:

PRE-APPROVED OAG 3/22/99

Office of Attorney General

Chief Counsel/Assistant Counsel
Department of Environmental Protection

Approved for the Department:

Department Representative

ACKNOWLEDGEMENT OF INDIVIDUALS (OPERATOR)

STATE OF 260 _____ :COUNTY OF 261 _____ : ss:On 262 _____ , before me, the undersigned individual, personally appeared
(Date)263

(Name)

known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged

that 264 _____ executed the same for the purposes therein contained.
(he or she)

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) 265 _____
(Notary Public Signature)My Commission Expires 266 _____
(Date)

ACKNOWLEDGEMENT OF CORPORATIONS/PARTNERSHIPS/ REGISTERED FICTITIOUS NAME BUSINESS (OPERATOR)

STATE OF 260 _____COUNTY OF 261 _____ ss:On 262 _____ , before me, the undersigned officer, personally appeared
(Date)263 _____ and 263 _____
(Name) (Name)who acknowledged themselves to be the 263 _____ and
(Title of Person)263 _____, respectively, of 267 _____,
(Title of Person) (Name of Corporation, Partnership or Registered Fictitious Name Business)a 268 _____, and that they as such (officers/partners/owners)
(Corporation, Partnership or Registered Fictitious Name Business)

being authorized to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) 265 _____
(Notary Public Signature)My Commission Expires: 266 _____
(Date)

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM**

	DEP USE ONLY	
DEP Client ID #		
Bond Agreement #		

[illegible]

PHASED-PAYMENT COLLATERAL BONDS

Single-Well Phased-Payment Collateral Bond

Sub-section 215(d.1)(1) of the Oil and Gas Act (amended 1992) allows phased payments of collateral bonds for an individual (operator) to drill up to ten new wells per calendar year.

An eligible individual may take advantage of this provision for a phased-payment collateral bond. Individuals who satisfy this requirement may drill up to ten new wells per calendar year, under phased collateral bonds.

Each new permit for a well must be bonded under a separate phased-payment collateral bond. Use the form *Phased Payment Collateral Bond for Individual for Single Oil or Gas Well* (5500-FM-OG0062). Each \$2,500 collateral bond is secured by submitting an initial payment of collateral valued at \$500 or more, followed by annual deposits or payments on the anniversary of the date of the bond agreement. Value of each annual payment or deposit must be at least 10 percent of the balance remaining after the initial deposit, until the bond is fully collateralized.

Example: An individual may want a bank to issue a \$500 letter of credit payable to the Department for the initial collateral payment. A letter of credit along with the form *Phased Payment Collateral Bond for Individual for Single Oil or Gas Well* must be submitted for each new permit. Every year, before the anniversary of the execution date of the bond form, the operator must send in \$200 of other acceptable collateral, for ten years until the bond is fully collateralized.

All costs for the bank's letter of credit and any arrangements for bank deposits by the operator, or for interest payments to the operator, are between the operator and the bank. Cash deposits of collateral with the Commonwealth Treasurer will not earn interest. Interest earned by a certificate of deposit becomes part of the bond until the bond is fully collateralized.

A Bond Exhibit A should be included and used to describe the well(s) to be attached to the phased bond.



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM

PHASED PAYMENT COLLATERAL BOND FOR AN INDIVIDUAL For Single Oil or Gas Well

TO BE FILLED IN BY OPERATOR:

WHEREAS, 063 ("Operator"),
(Name of Well Operator)
an individual with principal place of business at 062
(Operator Address and Telephone Number)

has filed with the Pennsylvania Department of Environmental Protection ("Department") an application for a permit to drill and operate a new oil or gas well under the Act of December 19, 1984 (Act 223, P.L. 1140), as amended, known and referred to herein as the "Oil and Gas Act" (58 P.S. §601.101 *et seq.*);

WHEREAS, Operator certifies it is eligible for a phased deposit collateral bond pursuant to §215(d.1) of the Oil and Gas Act (58P.S. §601.215 (d.1));

WHEREAS, Operator is limited to drilling ten (10) new wells per calendar year;

WHEREAS, Operator has chosen to make phased deposits of collateral to fully collateralize the bond amount required by §215(a) of the Oil and Gas Act (58 P.S. §601.215(a));

WHEREAS, Operator agrees to pay the phased deposit amounts pursuant to the requirements of the Department.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the Operator, in consideration of the issuance of the Permit is held and firmly bound unto the Department, in the just and full sum of **TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00)**, to be paid in phases consisting of an initial collateral payment valued at **FIVE HUNDRED DOLLARS (\$500.00)** and collateral for 10% (\$200.00) of the remaining sum (\$2,000.00) to be submitted each year for 10 years on or before the anniversary of the operator's execution of this phased payment of collateral bond obligation.

1. **Condition of the Obligation.** If the Operator shall faithfully perform and conform to all of the applicable drilling, restoration, water supply replacement and plugging requirements of the following:

- (a) the Oil and Gas Act;
- (b) all subsequent amendments and additions made to the Oil and Gas Act;
- (c) all rules and regulations now or hereafter promulgated under the Oil and Gas Act;
- (d) the terms and conditions of the permits and all amendments or additions; and
- (e) all Department orders relating to operator conduct (the requirements described in (a) through (e), inclusive, immediately above, collectively called the "Law")

then this obligation shall remain null and void, otherwise to be and remain in full force and effect.

2. **Well Covered by this Bond.** This bond agreement assumes and covers any and all liability and obligations accrued and to be accrued under the law for the well to which this bond applies, until such time as the Department shall release, in writing, such liability and obligations. Operator has listed the well to be covered by this bond on the attached "BOND EXHIBIT A" form which is made part of this agreement and incorporated herein for all purposes.

3. **Amount and Duration of Bond Liability.** Liability upon this bond agreement shall be for the amount specified herein. Liability upon this bond agreement shall continue until the well is properly plugged in accordance with the Oil and Gas Act, and for a period of one (1) year after a certificate of plugging is filed with the Department, unless released in whole by the Department, in writing, prior thereto, as provided by the Law. It is hereby acknowledged that the liability upon this bond is a penal sum, and the Commonwealth retains a property interest in such collateral until release of such liability in writing as provided by law, notwithstanding the insolvency or other financial incapacity of the operator.

4. **Description of Collateral.** For the purpose of securing this obligation, the Operator hereby deposits the following collateral in lieu of a surety bond, in accordance with the provisions of the Law:

DESCRIPTION OF COLLATERAL

(a) Negotiable Government Securities

			For Department Use Only:
Name of Issue & Bond No.	Face Value	Market Value	Market Value/Date
<u>200 (A)</u>	<u>200 (B)</u>	<u>200 (C)</u>	
Sub Total:		<u><u>200 (D)</u></u>	

(b) Certificate of Deposit or Irrevocable Stand-by Letters of Credit

Issuer	Certificate/Letter No.	Amount
<u>201 (A)</u>	<u>201 (B)</u>	<u>201 (C)</u>
Sub Total:		<u><u>201 (D)</u></u>

(c) Cash, Certified Check, Cashier's Check, Treasurer's Check. No interest shall be credited by the Commonwealth on the preceding collateral.

Issuer	Check No.	Amount
<u>202 (A)</u>	<u>202 (B)</u>	<u>202 (C)</u>
Sub Total:		<u><u>202 (D)</u></u>

Total Amount of Collateral 203

(Add (a), (b) and (c) immediately above)

5. **Status and Disposition of Collateral in Possession of the Commonwealth.** The Operator agrees that the Commonwealth retains a property interest in the collateral deposited pursuant to this bond agreement, for the term stated herein. The Secretary of the Department shall, upon receipt of deposits of collateral, immediately place the same with the State Treasurer of the Commonwealth of Pennsylvania, who shall receive and hold the same in the name of the Commonwealth for the purposes for which such deposits are made and in accordance with the terms of this bond agreement.

Where negotiable securities deposited mature or are called, the State Treasurer, at the request of the Operator, may convert such securities into other securities designated by the Operator and acceptable for deposit under the Law. The Operator hereby nominates, constitutes and appoints the State Treasurer, its attorney in fact, for the purpose of endorsing and negotiating said securities or any part thereof and for the purpose of converting the collateral as described in this paragraph.

6. **Default.** Upon the happening of any default of the provisions, conditions and obligations assumed under this bond agreement and the declaration of a forfeiture by the Secretary of the Department, or his designee, the Operator hereby authorizes and empowers the State Treasurer, its attorney in fact, to liquidate the said collateral and deposit the

proceeds to the account of the Department. The Operator agrees that all interest accrued after forfeiture is declared by the Department shall be property of the Commonwealth.

7. **Events Not Affecting Operator Bond Liability.** The Operator agrees that its liability hereunder shall not be impaired or affected by (1) any renewal or extension of the time for performance of any of the provisions, conditions or obligations upon which this bond agreement is based; or (2) any forbearance or delay in declaring this bond to be forfeit or in enforcing payment on this bond.

8. **Remedies.** Nothing herein shall limit or preclude the Department from seeking any remedy, in addition to the forfeiture of this bond, which may be authorized or provided by law.

9. **Attachments (check one or more, if applicable):**

- ☐ (a) Assignment of Certificate of Deposit
- ☐ (b) Bond Exhibit A
- ☐ (c) Other: 130

10. **Headings.** The paragraph headings herein are for descriptive purposes only and are intended to have no legal force or effect.

IN WITNESS WHEREOF, the Operator sets its hand, intending to be legally bound hereby, this 150 day of 151, 20152.

ACKNOWLEDGEMENT OF INDIVIDUAL:

OPERATOR:

STATE OF: 260

063
(Print or Type Operator Name)

COUNTY OF: 261

On this date the signing individual personally appeared known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he/she executed the same for the purposes therein contained.

By: 051
(Signature and Title)

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) _____
(Notary Public Signature)

My Commission Expires: _____
(Date)

Approved as to Legality and Form:

Approved for the Department:

Chief Counsel/Assistant Counsel Date

Department Representative Date



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM

7C-K-360

**ASSIGNMENT OF CERTIFICATE OF DEPOSIT
OIL & GAS COLLATERAL BOND**

THIS AGREEMENT is made this 150 day of 151, 20152, by and among the
Commonwealth of Pennsylvania, Department of Environmental Protection (the "Commonwealth");

AND

050

(Name of Operator)

(a) a Corporation, incorporated under the laws of the State of 060,

(b) a(n) 061
(Limited/General Partnership, Registered Fictitious Name Business, Individual or Other)

with its principal place of business at 062
(Operator Address and telephone number)

(the "Operator");

AND

240

(Name of Financial Institution)

, a financial institution chartered or otherwise authorized to

do business in the Commonwealth of Pennsylvania, with its principal place of business at 241

(the "Issuer").
(Address and telephone number of Financial Institution)

WHEREAS, the Operator desires to assign the following Certificate(s) of Deposit issued by the Issuer in the amounts indicated and any renewals thereof (the "CD's"):

	CD No.	Issuance Date	Dollar Amount	Maturity Date
1.	<u>202 (A)</u>	<u>202 (B)</u>	<u>202 (C)</u>	<u>202 (D)</u>
2.	<u></u>	<u></u>	<u></u>	<u></u>
3.	<u></u>	<u></u>	<u></u>	<u></u>
4.	<u></u>	<u></u>	<u></u>	<u></u>

to the Commonwealth, as collateral to guarantee the Operator's legal obligations as provided in the Collateral Bond Agreement dated 153, submitted by the Operator, to which this Assignment is attached and made a part for all purposes (the "Collateral Bond Agreement"); and

WHEREAS, the Issuer acknowledges the assignment and desires to act as the custodian for the benefit of the Commonwealth of the money represented by the CD's and subject to the terms and conditions contained herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. **Assignment and Pledge.** The Operator assigns the CD's, and any renewals thereof, to the Commonwealth as collateral, to guarantee the Operator's legal obligations as provided in the Collateral Bond Agreement.

2. ***Operators Authorization to the Commonwealth.*** The Operator hereby authorizes the Commonwealth to withdraw any portion or all of the money on deposit with the Issuer pursuant to the CD's, at any time and from time to time, upon default of any of the provisions, conditions or obligations referred to in the Collateral Bond Agreement.

3. ***Operator Authorization to the Issuer.*** The Operator hereby authorizes the issuing financial institution, upon written demand by the Commonwealth, to pay to the Commonwealth any portion or all of the money on deposit with the Issuer pursuant to the CD's, at any time and from time to time, without further notice to, consent of or endorsement by the Operator.

4. ***Extent of Commonwealth Rights in the CD's.*** The Operator does hereby agree, represent and warrant that, except as assigned herein, the CD's and the money thereby represented are assigned herewith free and clear of any and all liens encumbrances, pledges, restrictions, security interests and agreements, and will not be sold, assigned, transferred, pledged or promised as a security interest in any manner whatsoever without written consent of the Commonwealth. The Permittee/Registrant further agrees and the Issuer fully acknowledges, that this assignment conveys a property interest in the CD's to the Commonwealth until and unless it is terminated as provided herein, notwithstanding insolvency or other financial incapacity of the operator.

5. ***Issuer's Fiduciary Responsibilities; No Penalty for Early Withdrawal by the Commonwealth.*** The Issuer hereby acknowledges the assignment of the CD's to the Commonwealth and agrees to record the assignment on the institution's books. Further, Issuer acknowledges and agrees that it shall hold the moneys represented by the CD's as a fiduciary custodian and agent for the Commonwealth and shall be liable to the Commonwealth for any and all losses to the principal amount(s) of the CD's caused in any manner whatsoever during the term of this Assignment. The Issuer expressly agrees to waive any and all rights, where permissible, including those under federal and state law, to deduct any penalty from the principal amount of the CD's for withdrawal by the Commonwealth prior to maturity if such deduction would reduce the amount of collateral assigned to the Commonwealth to an amount which is insufficient to satisfy, in full, the bond obligation as provided in the Collateral Bond Agreement. The Issuer expressly assumes the responsibility to design the CD's so that no such penalty can be assessed against the Commonwealth's rights to the CD's. The Issuer further agrees to follow the Commonwealth's instructions on disposition of interest, and to hold all interest accrued, for the benefit of the Commonwealth, upon written notice by the Commonwealth that the bonds for which the CD is assigned has been declared forfeit.

6. ***Waiver of Setoff and Lien Rights.*** The Issuer hereby waives, for the duration of this Assignment, all rights of setoff or liens or any other claims which it now has or might, in the future, have against the CD's or the deposited money upon which the CD's were issued. Any conditions pertaining to the CD's to the contrary are hereby expressly rescinded.

7. ***Automatic Renewal of CD's; Transferability.*** The Issuer hereby agrees to automatically renew the CD's for the same terms as those for which they were originally issued for as long as the Commonwealth retains a property interest in the CD's. Further, the Issuer hereby acknowledges and agrees that the CD's are fully transferable and assignable to the Commonwealth.

8. ***Interest.*** The Issuer agrees to collect, from time to time, all interest on the CD's and pay the same, when and as collected, as agent for the Commonwealth, to the Operator, or otherwise as required in writing by the Commonwealth. The Issuer and the Operator agree that the Commonwealth shall have the right to all interest earned on the CD upon forfeiture of the Collateral Bond Agreement.

9. ***Delay in Enforcement of Rights.*** The Issuer and the Operator agree that any delay by the Commonwealth in enforcing its rights to the CD's pursuant to the Collateral Bond Agreement shall not affect the Commonwealth's rights in the CD's.

10. ***Replacement of Bond Collateral.*** The Commonwealth agrees that the CD's may be replaced by other certificates of deposit or other collateral authorized by the statutory authority under which the Operator has applied for the Permit(s) or Registration(s); provided, however, that such replacement collateral must first be deposited with and accepted in writing by the Commonwealth, and until such written acceptance the assignment of the CD's shall remain in full force and effect.

11. **Termination of Assignment.** This Assignment shall terminate only upon written release by the Commonwealth.

12. **Amendment.** This Assignment may be amended only by written instrument signed by the Commonwealth.

13. **Governing Law.** This Assignment is made in, and shall be governed by and construed in accordance with the laws of, the Commonwealth of Pennsylvania. In the case of all out-of-state financial institutions not registered to do business in Pennsylvania, the financial institution consents to jurisdiction and venue in Pennsylvania so that any litigation over payment on the CD is made with minimum expense to the Commonwealth.

14. **Headings.** The paragraph headings herein are for descriptive purposes only and are intended to have no legal force or effect.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals, intending to legally bind themselves, their heirs, successors, assigns and transferees, the day and year first written above.

WELL OPERATOR:

050

(Name of Operator)

By: **051**

(Signature and Title) (Seal)

By: **051**

(Signature and Title) (Seal)

051

(Print or Type Name and Title)

051

(Print or Type Name and Title)

ISSUER OF CD:

(Print or Type Name of the Issuer of the CD)

By: **242**

(Signature and Title) (Seal)

By: **242**

(Signature and Title) (Seal)

242

(Print or Type Name and Title)

242

(Print or Type Name and Title)

Approved as to legality and form:

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL**

PROTECTION

PRE-APPROVED OAG 3/22/99
Office of Attorney General (Date)

By: _____
Department Representative (Date)

Chief/Assistant Counsel
Department of Environmental Protection

ACKNOWLEDGEMENT OF INDIVIDUALS (OPERATOR)

STATE OF 260 _____ :

COUNTY OF 261 _____ : ss:

On 262 _____, before me, the undersigned individual, personally appeared
(Date)

263

(Name)

known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that 264 _____ executed the same for the purposes therein contained.
(he or she)

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) 265 _____ My Commission Expires 266 _____
(Notary Public Signature) (Date)

ACKNOWLEDGEMENT OF CORPORATIONS/PARTNERSHIPS/ REGISTERED FICTITIOUS NAME BUSINESS (OPERATOR)

STATE OF 260 _____ :

COUNTY OF 261 _____ : ss:

On 262 _____, before me, the undersigned officer, personally appeared
(Date)

263

(Name)

and

263

(Name)

who acknowledged themselves to be the 263 _____ and
(Title of Person)

263

(Title of Person)

, respectively, of

267

(Name of Corporation, Partnership or Registered Fictitious Name Business)

a 268 _____, and that they as such being authorized (officers/partners/owners)
(Corporation, Partnership or Registered Fictitious Name Business)

to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) 265 _____ My Commission Expires: 266 _____
(Notary Public Signature) (Date)

ACKNOWLEDGEMENT OF FINANCIAL INSTITUTION

STATE OF 260 _____ :

COUNTY OF 261 _____ : ss:

On 262 _____, before me, the undersigned officer, personally appeared
(Date)

263

(Name)

and

263

(Name)

who acknowledged themselves to be the 263 _____ and
(Title of Person)

263

(Title of Person)

of

240

(Name of Institution)

, a bank or financial institution, and that they, as such officers, being authorized to do so, executed the foregoing instrument on behalf of the said issuing institution for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) 265 _____ My Commission Expires: 266 _____
(Notary Public Signature) (Date)



Guidelines for Submission of Collateral - Certificates of Deposit (CD's) Under The Oil and Gas Act

1. **Pennsylvania Financial Institutions.** The CD must be issued by a financial institution chartered by Pennsylvania, or authorized to do business in Pennsylvania. The Department may waive this requirement, if the institution consents to jurisdiction and venue in Pennsylvania.
2. **Insured Financial Institution.** Financial institutions must be insured by the FDIC, FSLIC or similar acceptable financial assurance mechanism. The CD shall state this, or an officer must certify it.
3. **Issued to Operator.** The CD must be issued to the operator who is required to file a bond, which is the person or entity identified on the bond form. CD's issued to only one partner are not acceptable.
4. **Automatically Renewable.** CD's must indicate that the term is automatically renewable, by a statement "automatically renewable" on the face of the CD, a checked box showing automatically renewable was chosen, or a similar method. If 'automatically renewable' is not pre-printed on the face of the CD, but is typed or is one of several options checked-off by the operator, then both the operator and the bank officers must initial the typed wording or other showing.
5. **Terms Consistent with Assignment.** The financial institution must execute an assignment on a form provided by the Department, which has various terms. None of these terms may be contradicted by the terms shown on the CD. For instance,

- (i) **Early Withdrawal Penalty.** The CD must not allow an early withdrawal penalty which would preclude the Commonwealth from receiving the full bond amount if it cashed the CD at any time. For example, a CD which indicates that interest is compounded monthly, and interest payments are mailed to the payee, or deposited in the payee's savings or checking account, is unacceptable as such. The interest must be held by the financial institution until maturity/redemption. Growth certificates, where interest is reinvested, also solve this problem.

Alternately, the issuer may certify that the penalty will be paid by someone other than the Commonwealth. One of the following clauses, to be typed on the back of the CD, may be used for this purpose:

- (a) "The [Name of Institution] holds in escrow for the benefit of the Department of Environmental Protection Certificate of Deposit No. [Separate CD No.], an amount equal to the applicable penalty for early withdrawal."

or

- (b) "Any penalty incurred as a result of early withdrawal will be payable by [Name of Operator] and not taken from the proceeds of this Certificate."

- (ii) **Transferability.** The CD must be transferable and assignable. If the terms of the CD (front or back) say otherwise, then this must be either crossed out or the following language typed after or near it: "except on the books of (name of institution)". In either case, the issuer's representatives must initial the changes.
- (iii) **Withdrawal of Funds.** The Department must have the right to withdraw funds or redeem the CD at any time. Contradictory terms must be crossed out and initialed by all issuer's representatives,
- (iv) **No Right of Set-Off.** The financial institution must have no right to "set-off" its claims or rights as to the operator or anyone else, against the Department or "assignee" or "transferee". Contradictory terms must be crossed out and initialed.

6. **Dollar Limit.** No individual CD may be in excess of \$100,000, or the maximum insurable amount as determined by FDIC or FSLIC.
7. **Signatures.**
 - (i) **Front of CD.** The CD must be signed on the front in accordance with the "Department Requirements for Execution of Bond Instruments" form 5500-FM-OG0061. The signer's name and title must be printed or typed below the signature.
 - (ii) **Assignment Form.** The assignment language specified in Item (8) below must be signed in accordance with the requirements shown on the "Department Requirements for Execution of Bond Instruments" form 5500-FM-OG0061.
8. **Assignment Form.** The Operator and Financial Institution must complete and execute the "Assignment of Certificate of Deposit" form 5500-FM-OG0037. Signature requirements must be met. The CD identification number, date, dollar amount and maturity must match those in the CD. The acknowledgements must be dated, at the earliest, the date of the assignment noted on the first page of the assignment form. Those persons listed, and their titles, must match those who sign the assignment. Notary is required.
9. **Collateral Submissions:** Collateral submittals should be made to the regional office that has jurisdiction over the counties in which most of your wells are located. A map showing the regional office boundaries and information is shown on form 5500-FM-OG0015.
10. **Wire Transfer of Collateral:** Instructions for the wire transfer of collateral can be found in the technical guidance number 5500-2501-101 entitled "Guidelines for Submitting Oil and Gas Well Bonds". See table of contents in these guidelines for exact page location.



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM

GUIDELINES FOR SUBMISSION OF NEGOTIABLE GOVERNMENT SECURITIES

INTRODUCTION

Negotiable government securities acceptable for submission with a collateral bond fall into two (2) categories:

- (A) ***Bearer instruments***, payable to bearer; and
- (B) ***Registered (non-bearer)*** instruments, payable to a certain named person.

These guidelines apply to both categories of instruments, unless otherwise noted.

- I. Negotiable instruments of the following government issuers are acceptable:
 - (A) the United States of America;
 - (B) the Commonwealth of Pennsylvania;
 - (C) the Pennsylvania Turnpike Commission;
 - (D) the General State Authority;
 - (E) the State Public School Building Authority; or
 - (F) any Commonwealth municipality.
- II. The Commonwealth will obtain possession of and keep in custody all negotiable instruments deposited as collateral by the operator until authorized for release or replacement as provided in applicable DEP regulations and guidelines.
- III. DEP will value such instruments at their current market value. The dollar amount accepted will be the lower of market value or face amount.
- IV. The trustee bank shall machine authenticate the dollar amount of the negotiable instrument on the front of the instrument.
- V. The negotiable instrument shall be submitted with the Collateral Bond Forms No. 5500-FM-OG0035 or 0036 to be executed by the operator. Zero coupon U.S. Treasury bonds may be submitted via wire transfer. Contact the DEP regional office for details. Instructions for wire transfer of collateral can be found in the technical guidance number 550-2501-101 entitled "Guidelines for Submitting Oil and Gas Well Bonds". See the table of contents in these guidelines for the exact page location.
- VI. Registered negotiable instruments must be payable in the name of the operator, and not in the names of third parties.
- VII. Negotiable instruments payable to "bearer" may be assigned to the Commonwealth merely by delivery. As for *registered* negotiable instruments, the assignment by the operator shall be completed and signed on the back of the registered negotiable instrument in substantially the following manner:

"FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto the Commonwealth of Pennsylvania, Department of Environmental Protection the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints the State Treasurer attorney to transfer the said bond on the books of the within named Trustee, with full power of substitution in the premises."

Dated _____ (Seal)

SPECIAL INSTRUCTIONS FOR COMPLETING ASSIGNMENT OF REGISTERED NEGOTIABLE INSTRUMENT

- (A) The assignment should be executed by the appropriate parties according to Department Requirements for Execution of Bond Instruments (5500-FM-OG0061).
 - (i) For a corporation, the corporate name should be indicated.
 - (ii) For a partnership, the partnership name should be indicated.
 - (B) The execution must be dated.
 - (C) ***All*** signatures on the assignment must be certified as to their authenticity prior to submission to the Commonwealth; such certification is usually done by stamp of the operator's local bank.
- VIII. A permit will not be issued nor a registration processed until the negotiable instrument and Collateral Bond have been reviewed and approved as to legality and form by DEP Legal Counsel and the Department.



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM

GUIDELINES FOR SUBMISSION OF COLLATERAL Letters of Credit

1. **Standard Letter:** The attached specimen Letter of Credit must be followed. The wording in the Letter of Credit being submitted must reflect the exact wording and punctuation of the attached specimen Letter of Credit. The Letter of Credit must be a stand-by, irrevocable Letter of Credit, payable solely upon the Department's drafts. The Department will not accept a Letter of Credit which restricts its right to demand full payment of the credit amount including a term which would require certification that the operator has violated the law. However, a clause which requires the Department to give notice that the Department is making a drawing because the bond has been declared forfeited is allowed, but only where the Letter of Credit specifies the exact language required in the body of the Letter of Credit, or as an attachment to the Letter of Credit. The Department will also not accept any type of contingent term in the letter, including provisions which delay the effective date of the letter until release of other collateral.

2. **Pennsylvania Financial Institution:** Letters of Credit will only be accepted from financial institutions authorized to do business in Pennsylvania. In the case of all out-of-state financial institutions, the financial institution must consent, in writing, to jurisdiction and venue in Pennsylvania.

3. **Signature Requirements:** The Pennsylvania Department of Environmental Protection requires signatures executing Letters of Credit and related agreements to be in one of the two formats listed below. Please refer to the following information for signature requirements.
 - A. Execution by Officers of a financial institution that does not have by-law authorization of any other form of signature execution.
 1. The Letter of Credit must be signed by the President and Treasurer or Cashier or authorized bank officer and a witness. See below regarding authorization of officers.
 2. The Assurance Letter should be signed by the President. However, if this is not practicable, the signature of an officer, authorized by the bank with the Department, who would be able to certify to the information contained in the Assurance Letter would be acceptable. See below regarding authorization of officers.

OR
 - B. **Other:** In the event the financial institution's by-laws authorize a delegated form of execution, the financial institution shall submit:
 1. (a) A Corporate Secretary's Certificate, bearing the financial institution's seal, as to the Board of Director's resolutions establishing authorization of officer positions to execute Letters of Credit and the related Assurance Letter.
 - (b) Incumbency Certificates, as needed.

OR
 2. A listing of positions in the financial institution authorized to execute Letters of Credit and the related Assurance Letter accompanied by a written statement, signed by the President and Treasurer or Cashier and notarized, as follows:

"I certify that the officers and persons in the below-listed positions in the (name of financial institution), signing in such capacity, are authorized to execute Letters of Credit and related agreements and that by doing so they fully bind the (name of financial institution) under the terms of the Letters of Credit and related agreements. This authorization is valid until the Pennsylvania Department of Environmental Protection is notified otherwise in writing."

(List of positions the financial institution authorizes to execute Letters of Credit and related agreements).

The above Corporate Secretary's Certificate and Incumbency Certificate (if any) or the President's statement and List of Authorized Positions must accompany the Letter of Credit and Assurance Letter. Only one such Corporate Certificate and/or Incumbency Certificate or President's Statement and List of Authorized Positions need be submitted regardless of the number of Letters of Credit issued. If any changes to the lists of authorized officers or position are made, new Corporate Secretary's Certificates and/or Incumbency Certificates or President's Statement and List of Authorized Positions must be submitted.

4. **Financial Institution Letterhead:** The Letter of Credit must be written on official letterhead of the institution, or on a standard Letter of Credit form.
5. **Relationship to Bond/Permit:** The Letter of Credit must be independent of the obligations between the operator and the Department. Reference to the underlying bond/permit in the Letter of Credit is acceptable only if the Letter of Credit contains substantially the following additional language: "This Letter of Credit sets forth, in full, the terms of our undertaking and such undertaking shall not in any way be modified, amended, or amplified by reference to any documents, bond, permit, instrument, or agreement referred to herein, or in which this Letter of Credit is referred to, or to which this Letter of Credit relates, and any such reference shall not be deemed to incorporate herein by reference any document, bond, permit, instrument, or agreement."
6. **Conformance with Banking Law and Sound Banking Practices:** The Letter of Credit must be accompanied by a separate "Assurance Letter", in substantially the form of the attached specimen Assurance Letter, and signed according to the signature requirements above.
7. **Collateral Submissions:** Collateral submittals should be made to the regional office that has jurisdiction over the counties in which most of your wells are located. A map showing the regional office boundaries and information is shown on form 5500-FM-OG0015.
8. **Wire Transfer of Collateral:** Instructions for the wire transfer of collateral can be found in the technical guidance number 550-2501-101 entitled "Guidelines for Submitting Oil and Gas Well Bonds". See the table of contents in these guidelines for the exact page location.

Specimen Letter of Credit attached
Specimen Assurance Letter attached

IRREVOCABLE STANDBY LETTER OF CREDIT

SPECIMEN ONLY

(Letterhead of Issuing Financial Institution)

Date: ()

IRREVOCABLE STAND-BY LETTER OF CREDIT
LETTER OF CREDIT NO. *(reference number)*

PA Department of Environmental Protection
Bureau of Office Services
Bonding Section – 15th Floor
Rachel Carson State Office Building
PO Box 8766
Harrisburg, PA 17105-8766

Dear Sir or Madam:

We hereby establish, effective immediately, by order and for the account of (Name and Address of Customer), our irrevocable stand-by Letter of Credit No. (reference number) up to the aggregate amount of U.S. \$ (numeric and written total amount of the Credit) in favor of Pennsylvania Department of Environmental Protection, Bureau of Oil and Gas Management (Department) and available by your drafts drawn on us at sight.

We hereby engage with you that drafts drawn and presented by you in accordance with the terms of this Credit will be duly honored by us if presented to us at our Letter of Credit Section at (address) by (expiration date), or prior to any subsequent expiration as provided herein.

Except as otherwise provided herein, drafts drawn hereunder must be marked "Drawn Under (name of financial institution) Letter of Credit No. (reference number) dated, (effective date)" and accompanied by a statement purportedly signed by an authorized representative of the Department reading as follows:

"I certify the Pennsylvania Department of Environmental Protection is making this drawing pursuant to the terms of a certain collateral bond agreement between the (name of customer) and the Department and that the Department is entitled to the amount of this draw."

The original Letter of Credit and all amendments, if any, must be presented at the time of any drawings hereunder for our endorsement.

It is a condition of this Letter of Credit that it shall be automatically extended for additional terms of one (1) year from the present or each future expiration date, unless we give you and (name of customer) at least ninety (90) days before said expiration date written notice by certified mail, return receipt requested, or hand delivery, that we elect to terminate this Credit at the end of its then current term.

In the event we give notice of our election to terminate this Letter of Credit and (name of customer) fails to replace this Letter of Credit with other financial guarantees acceptable to the Department, you may draw on this Letter of Credit, up to the aggregate amount, less any prior drafts presented by the Department and paid by us, not sooner than thirty (30) days after the date of such notice by presentation of a draft marked "Drawn Under (name of bank) Letter of Credit No. (reference number) dated, (effective date)" accompanied by a statement purportedly signed by an authorized representative of the Department reading as follows:

"The Pennsylvania Department of Environmental Protection is making this drawing because (name of customer) has failed to replace this Letter of Credit with other financial guarantees acceptable to the Department."

This Letter of Credit sets forth our entire undertaking. Our undertaking shall not in any way be modified, amended, amplified or limited in by reference to any document, bond, permit, instrument or agreement referred to in this Letter of Credit, or in which this Letter of Credit is referred to, or to which this Letter of Credit relates, and any such reference shall not be deemed to incorporate herein by reference in this Letter of Credit any document, bond, permit, instrument or agreement.

This Letter of Credit is governed by Division 5 of the Pennsylvania Uniform Commercial Code and, where not inconsistent, the Uniform Customs and Practice for Documentary Credits (2007 Revision, in effect as of July 1, 2007), International Chamber of Commerce Publication No. 600." Disputes arising under this Credit shall be governed first by the laws of the Commonwealth of Pennsylvania.

Sincerely,

(Name of financial institution)

(Signature and Title of Authorized Bank Officer)

(Name and Title)

(Signature and Title of Witness)

(Name and Title)

“ASSURANCE LETTER”
SPECIMEN ONLY

(Letterhead of Issuing Financial Institution)

Date: ()

Re: Irrevocable Stand-by Letter of Credit
Letter of Credit No. *(reference number)*

PA Department of Environmental Protection
Bureau of Office Services
Bonding Section – 15th Floor
Rachel Carson State Office Building
PO Box 8766
Harrisburg, PA 17105-8766

Dear Sir or Madam:

This letter accompanies the Letter of Credit referenced above and is for the purpose of providing our representations that this Credit was issued in conformance with sound banking practices and applicable laws and regulations in force and effect as of the date of the issuance of this Credit.

For purposes related to regulatory requirements of the Department of Environmental Protection concerning incapacity of financial institutions, the bank agrees that it will give written notice to the Department, by certified mail, within ten (10) days after: (a) the financial institution has been declared insolvent and a receiver appointed by any state or federal regulatory authority having jurisdiction in the matter and/or (b) the commencement, by any state or federal banking regulatory authority of competent jurisdiction, of any public legal action or proceeding seeking suspension or revocation of the authority of the financial institution to issue Letters of Credit or to conduct the business of banking. If the financial institution is unable, by reason of any action by any of the financial institution's regulatory authorities, to provide such notice to the Department, the financial institution will promptly inform the appropriate regulatory authority of this requirement to provide notice.

The (name of issuing financial institution) is (chartered) (authorized) (licensed) to conduct the business of banking, including the issuing of Letters of Credit, by (federal or state authority) and the (name of issuing financial institution) is examined by the (federal or state authority). (The financial institution must provide the name, address, telephone number and such other information as may be necessary to enable the Department to contact the appropriate office within state or federal authority concerning any matter which may arise affecting the Department's relationship with the financial institution.)

I certify that the information contained in this letter is true and correct to the best of my knowledge and belief. I certify that I am legally authorized and empowered to sign, date and submit this information on behalf of the issuing financial institution named herein.

Sincerely,

(Name of Financial Institution)

(Signature and Title of Authorized Bank Officer)

(Name and Title)

TRANSFER OF A WELL PERMIT FOR A BONDED WELL

Section 213 of the Oil and Gas Act provides that an operator may not transfer a well permit or registration without approval from the Department. A transfer request will be approved if:

- (1) the transferee satisfies the bonding requirements of the Oil and Gas Act, and
- (2) the transferee, with respect to any well or wells which he operates, is not in continuing violation of the Oil and Gas Act or any other applicable statute administered by the Department, provided that if a violation has been appealed to the Environmental Hearing Board, the Environmental Hearing Board has not issued a decision and no appeal is pending in which a stay has been granted.

By submitting the application for transfer, the transferee (the one acquiring the wells) agrees to accept all future liabilities and responsibilities for the wells, upon approval by the Department,

When a bonded well is transferred, the transferor is released from the bonding requirement for that well. If there is an unresolved violation or outstanding order (pertaining to a well to be transferred) related to drilling, site restoration, water supply replacement *or* plugging, the transferor's bond may be held until the violation is corrected, or the transferee must reach agreement with the Department to accept responsibility to correct the violation.

When a transfer is approved, the Department will notify both parties.

To transfer a single well permit or registration to a surety or collateral bond, you must submit the following forms:

- *Oil and Gas Operator's General Information Form* (for a new operator, 5500-FM-OG0099).
- *Application for Transfer of Well Permit or Registration* (5500-PM-OG0010).
- *Collateral Bond for Single Oil or Gas Well* (5500-FM-OG0035), **or**
- *Surety Bond for Single Oil or Gas Well* (5500-FM-OG0039).

To transfer wells to an existing blanket bond you must submit the following:

- *Application to Transfer Well Permit or Registration* (5500-PM-OG0010).
- *Bond Exhibit A* (5500-FM-OG0042).

If you do not have a blanket bond on file with the Department and wish to transfer well permits or registrations to a new blanket bond, you must submit:

- *Oil and Gas Operator's General Information Form* (5500-FM-OG0099).
- *Blanket Collateral Bond for Oil and Gas Wells* (5500-FM-OG0036), **or**
- *Blanket Surety Bond for Oil or Gas Wells* (5500-FM-OG0041),
- **and** *Bond Exhibit A* (5500-FM-OG0042), listing all the wells to be covered by the blanket bond.

When transferring a bonded well to an existing blanket collateral or blanket surety bond, be sure to identify the bond on the *Bond Exhibit A* form (5500-FM-G0042). You are not required to submit copies of existing Department-approved blanket collateral or surety bonds.

Wells drilled before April 18, 1985 were exempted from bonding by Act 57 of 1997, 71 P.S. Section 510-34 (Admin Code Section 1934-A). Therefore, bond considerations do not affect the transferability of such “pre-Act wells”. Wells drilled after April 17, 1985 -- referred to as “post-Act wells” -- must be covered by a bond. When a transfer application involves both post- Act wells and (pre-Act) wells exempt from bonding, list only the post-Act wells on the *Bond Exhibit A* (5500-FM-OG0042), but on the transfer form (5500-PM-OG0010) list all wells to be transferred.

A new operator who is transferring only bond-exempt wells need only submit the transfer form and an *Oil and Gas Operator’s General Information Form* (5500-FM-OG0099).

If a person wants to transfer a well into his or her name, information regarding the present bond status of the well needs to be determined before the well can be released from the previous bond. If the well is already bonded, a new bond must be put into place with the Department by the new owner before the transfer can be completed, after which the current bond can be released to the present (previous) owner. If a well was drilled prior to April 18, 1985 then the well is exempt from the bonding requirement. If the well was permitted and drilled on or after April 18, 1985 then the well must be bonded. Contact the appropriate regional office (see page 3) regarding well transfer forms and bond information.

An application to transfer oil or gas well(s) will not be accepted by a transferee who is a corporation, LLC, LLP, partnership or fictitious named business that is not registered with the Pennsylvania Department of State, Corporation Bureau.



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS MANAGEMENT PROGRAM

Application for Transfer of Well Permit or Registration

<i>To identify wells to be transferred, fill out this form, naming the former operator and the new operator. Please read instructions before starting. Use continued pages to list additional wells.</i>	DEP USE ONLY			
	Client ID	Auth #	C.	INV.
	APS #	Bond Agreement #	C.S.	ExA.

TRANSFER FROM:	TRANSFER TO:
Name 210 OGO#	Name 220 OGO#
Address	Address
City State Zip	City State Zip
Telephone Fax	Telephone Fax
Bond Number: 211	Bond Number: 221

SIGNATURES and CERTIFICATION	
Subject to the penalties of Title 18-PA C.S. §4904 relating to unsworn falsification to authorities, I certify that I have the authority to submit this request for transfer of permit or registration for the oil / gas wells listed herein. Further, I certify that the information provided on this form and attachments is true and correct to the best of my knowledge and information.	
SIGNATURE of Transferor, or Transferor's authorized agent acting on behalf of the Transferor. 212 _____ Signature Date (Type or print name and title)	SIGNATURE of Transferee, or Transferee's authorized agent acting on behalf of the Transferee. 222 _____ Signature Date (Type or print name and title)

WELLS TO BE TRANSFERRED							
DEP USE	Permit/Reg # (Well API#)	County	Municipality	Farm Name	Well No.	Proj / Ser #	
	170	030	030	020	020		

Page 1 of	DEP USE ONLY
This application is a request to transfer the permits or registrations of _____ wells, the total of all pages.	Approved by: Regional Oil and Gas Manager Date

Use this page to continue the list of wells from previous page(s).

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Application for Transfer of Well Permit or Registration

INSTRUCTIONS

GENERAL

Use Page 1 for the first 15 wells; and the continued page to list additional wells. Clearly number each page at the bottom left, for example, as "Page 3 of 7". On Page 1 under the page number, clearly type or print the number of wells included in this application for transfer. Applications with pages not clearly numbered or lacking a total count of wells may be delayed.

BONDING THE WELLS

The new operator's bond must be in effect before the transfer will be approved for wells that must be bonded. Wells drilled before April 18, 1985 (the effective date of the Oil and Gas Act) are exempt from bonding requirements.

A new owner or operator who is acquiring only bond-exempt wells must complete and send in an Operator's General Information Form (5500-FM-OG0099) along with the application for transfer form. No bond documents would be required.

A new well owner or operator who must post a bond must submit appropriate bond documents for approval, along with an Oil and Gas Operator's General Information Form (5500-FM-OG0099) and the Application for Transfer of Well Permit or Registration.

An operator with an approved bond on file with the Department must submit a transfer form and a Bond Exhibit A form (5500-FM-OGO0042) listing the wells that are required to be bonded (that is, those drilled after April 17, 1985).

The operator's name on bond documents must be exactly the same as it appears on this transfer form.

REMINDERS

A well owner or operator is required by law to notify DEP in writing within 30 days of acquiring an oil or gas well by purchase or other conveyance (see 25 Pa. Code §78.14(a)). The transferor (old operator) is held liable for the wells until DEP approves the transfer of responsibility.

SIGNATURES

The new operator or authorized agent must sign the transfer form. The former operator should sign the form to indicate consent to the transfer, except where the former operator is unavailable or incapable. If it is not possible for the former operator (or agent, attorney, or executor) to sign the application, the new operator's signature will be sufficient. In that case, please submit a statement explaining why the former operator is unavailable to sign the form.

If the well operator is an individual, either doing business in his own name or under a fictitious name (registered or not), he must sign his own name.

Individuals in joint ownership must authorize one person to sign on behalf of all, or all joint owners must sign this form. Attach the authorizing resolution.

Unincorporated business entities using a fictitious business name must have the name registered with the Pennsylvania Department of State. Only individuals duly authorized by the owners of such a business may sign this transfer form.

If the well operator is a partnership, the transfer form must be signed by all partners or an authorized general partner. Attach the authorizing resolution. Use additional blank paper for signatures if needed.

If the well operator is a corporation, the transfer must be signed by an authorized corporate officer. Attach the authorizing resolution.

A well operator may empower a person by specific power-of-attorney to sign on behalf of the operator. The signature of that person on file with the Department is acceptable.

Names and titles must be printed or typed under each signature. Words crossed-out and other corrections must be initialed and dated by all parties signing this form.

NOTICE

Approval by DEP of an application to transfer a well permit or registration does not confer property rights. The Department's approval only recognizes the transfer of authority under the Oil and Gas Act to operate the well and the responsibility for plugging the well upon abandonment.

Send your completed form with all related attachments to the proper DEP regional office. If you have any questions or need more forms or information, contact the bond clerk in the regional office.

Dept. of Environmental Protection
NW Regional Office – Oil & Gas
230 Chestnut Street
Meadville, PA 16335-3481
Phone: 814-332-6860
Fax: 814-332-6121

Dept. of Environmental Protection
SW Regional Office – Oil & Gas
400 Waterfront Drive
Pittsburgh, PA 15222-4745
Phone: 412-442-4024
Fax: 412-442-4328

Wire Transfer Instructions

Please send a letter to the Department with items a. thru f. completed from the list below. **Because of our processing requirements, we will need to have this letter a week** in advance of the wire transfer. The information can be mailed to the address below, faxed or emailed. The Department will obtain a current quote for the security through the Commonwealth Treasury.

The following information is required:

- a. Date of Transfer
- b. Name of bank or brokerage sending the wire
- c. ABA number or DTC number of the bank brokerage
- d. Operator's name
- e. Operator's account number at bank or brokerage
- f. Description of the security including:
 - a. Face amount
 - b. Date of purchase
 - c. Maturity Date
 - d. CUSIP Number

The above information is to be sent to:

Pennsylvania Department of Environmental Protection
Attn: Kelly A. Bacco
P.O. Box 8766
Harrisburg, PA 17105-8766
FAX: 717-787-9241
PHONE: 717-787-4829
E-mail address: Kbacco@state.pa.us

2. The Commonwealth's depository institution is: Mellon Trust

WIRE INSTRUCTIONS Effective 09/15/03

Fed Book Entry	Federal Reserve Bank of Boston ABA#: 011001234; General Account 1020 For: Commonwealth of PA Account Number: CPKFSKO21O2
Cash	Federal Reserve Bank of Boston ABA# 011001234 DDA#: 048771 For: Commonwealth of PA/CPKFSKO21O2
DTC	DTC #954 Agent #26017 Institution #93752 Reference: DEP/Oil & Gas Mgmt / CPKFSKO21O2