



State of Utah
Department of Natural Resources
Division of Oil, Gas, and Mining

Form 4B.1

Collateral Bond Agreement-Certificate of Deposit

Bond/Certificate of Deposit Number: _____

Date: _____

Bank Name: _____ Operator Name: _____

Address: _____ Address: _____

City: _____ State: _____ Zip Code: _____ City: _____ State: _____ Zip Code: _____

Phone Number: _____ Phone Number: _____

Bank Representative Name: _____ Bonding Contact Name: _____

Title: _____ Title: _____

Email Address: _____ Email Address: _____

The referenced Certificate of Deposit for _____ ("Operator"), which is duly authorized and qualified to do business in the State of Utah, is held and firmly bound unto the State of Utah by _____ ("Bank"), a federally insured bank authorized to do business in Utah, in the form of:

Certificate of Deposit Number: _____ ; Principal Amount \$ _____ ("CD") as a:

[] Blanket Bond: To Cover all State and Fee wells drilled in the State of Utah; or

[] Individual Bond: Well Name: _____ API Number: _____ Section: _____ Township: _____ Range: _____ County: _____, Utah

Operator Obligation

The condition of this obligation is such that the Operator (its heirs, executors and successors) is or will be engaged in the drilling, re-drilling, deepening, repairing, operating, and plugging and abandonment of a well(s), and restoring the well site(s) in the State of Utah for the purpose of oil or gas production and/or the injection and disposal of fluids in connection therewith. See Utah Admin. Code R649-3.

Bank Agreement

This agreement describes the mutually agreed upon instructions of the below signed parties to the Bank, regarding the control, redemption, and release of the Bank's above-described CD, which is being used as principal to guarantee the availability for proper plugging and abandonment of the well(s) and proper well site(s) restoration. It is the intention of the parties that the CD be utilized as principal to guarantee that the full principal amount will be available to the State of Utah, Division of Oil, Gas, and Mining ("Division") for proper plugging and abandonment of the well(s) and proper well site(s) restoration. Upon demand and in the event the Operator of the well site(s) is unable or unwilling to complete proper plugging and abandonment of the well(s) and proper well site(s) restoration in compliance with applicable state law and

Certificate of Deposit Number: _____

regulations, the Division may redeem the CD according to the steps outlined below. The Bank shall place a hold on any CD record(s) and the Bank shall provide proof of such hold to the Division. The Bank waives all rights of setoff or liens against the CD identified above.

Ownership and Renewal:

Ownership of the CD is retained by the Operator, but it is **payable to the Division** and held by Bank **for the benefit of the Division**, and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released in writing by the Director of the Division. The Division may request CD information on an occasional basis. This agreement grants approval by the Operator for the Bank to provide CD information to the Division any time an inquiry is made via telephone, email, fax or letter.

Redemption:

The CD may only be redeemed (i.e., called on demand) pursuant to the written instruction or demand of the Director of the Division to the Bank. Upon the instruction and demand of the Director of the Division, the full principal amount of the CD shall be transferred to the Division. The Operator agrees and irrevocably instructs the Bank that neither the Operator, nor any other person claiming an ownership interest in the CD which is derived from the Operator, shall have the authority to prevent the Bank from carrying out the Director of the Division's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the principal amount of the CD shall be transferred to the Operator's control, unless the Operator is in default with the terms set forth in the separate surety agreement with the Division, in which case any accrued interest in excess of the principal amount of the CD shall be transferred to the Division. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division may redeem the CD.

Release:

The Bank shall release the CD only upon the written instruction of the Director of the Division to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Operator, or its legal successor-in-interest. In the event of the Bank's cancellation/termination of the CD, (a) the Bank shall give 90 days prior notice of the cancellation/termination to the Operator and the Division; and (b) the Operator shall have 60 days to replace the CD. If the Operator does not replace the CD within 60 days of the Bank's cancellation/termination notice, the Division may transfer the CD monies into a state-managed cash account to assure proper plugging and abandonment of the well(s) and proper restoration of the well site(s). If the Bank is under a forced cancellation/termination, the Bank agrees to transfer or release the CD funds to a state-managed cash account at and upon the Division's request.

Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be dispersed to the Operator as the Operator may instruct the Bank. If the Operator provides no instructions to the Bank, accrued interest shall be reinvested in the CD. Upon redemption, any accrued interest in excess of the principal amount of the CD shall be transferred to the Operator's control, unless the Operator is in default with the terms set forth in the separate surety agreement with the Division, in which case any accrued interest in excess of the principal amount of the CD shall be transferred to the Division. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the principal amount. All tax liabilities for the accrued interest shall remain the sole responsibility of the Operator.

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These Terms and Conditions are Agreed Upon By:

Company Office Signature
Print Name: _____
Title: _____
Operator Name: _____

Date: _____

Bank Representative Signature
Print Name: _____
Title: _____
Bank Name: _____

Date: _____

Mick Thomas, Director
Utah Division of Oil, Gas, and Mining

Date: _____

Mail to:
Utah Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, UT 84114-5801
Phone: 801-538-5340

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**AFFIDAVIT OF QUALIFICATION
OPERATOR**
__ooOOoo__

I, _____, being first duly sworn under oath, deposes and say he/she is a Company Officer of _____; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said OPERATOR is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

Signature
Print Name: _____
Title: _____

Subscribed and sworn to before me this _____ day of _____, 20 ____

Notary Public

My Commission Expires:
_____, 20 ____

Attest:
STATE OF _____)
COUNTY OF _____) ss:

Certificate of Deposit Number: _____

**AFFIDAVIT OF QUALIFICATION
INSTITUTION (Bank or Agency)**
__ooOOoo__

I, _____, being first duly sworn under oath, deposes and say that he/she is a _____ of _____

; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said INSTITUTION (Bank or Agency) is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein; and that said INSTITUTION (Bank or Agency) is a federally insured bank authorized to do business in Utah.

Signature
Print Name: _____
Title: _____

Subscribed and sworn to before me this _____ day of _____, 20____

Notary Public

My Commission Expires:
_____, 20____

Attest:
STATE OF _____)
COUNTY OF _____) ss:

Certificate of Deposit Number: _____

AFFIDAVIT OF QUALIFICATION
DIRECTOR
__ooOOoo__

I, Mick Thomas, being first duly sworn under oath, deposes and says that he is the Director for the Division of Oil, Gas, and Mining, Department of Natural Resources, State of Utah; and that he is duly authorized to execute and deliver the foregoing obligations; and that said DIRECTOR is authorized to execute the same by authority of laws on behalf of the State of Utah.

Mick Thomas, Director
Utah Division of Oil, Gas, and Mining

Subscribed and sworn to before me this _____ day of _____, 20____

Notary Public

My Commission Expires:

_____, 20 ____

Attest:

STATE OF _____)

COUNTY OF _____)

) ss: