



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

Form 4B.3

Collateral Bond Agreement-Letter of Credit

Bond/Letter of Credit 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 attached Letter of Credit 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:

Letter of Credit Number: \_\_\_\_\_ ; Principal Amount \$ \_\_\_\_\_
("LOC") 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 LOC, 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 LOC 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

Letter of Credit Number: \_\_\_\_\_

applicable state laws and regulations, the Division may redeem the LOC according to the steps outlined below. The Bank shall place a hold on any LOC 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 LOC identified above.

***Ownership and Renewal:***

Ownership of the LOC 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 LOC shall automatically renew indefinitely until either redeemed or released in writing by the Director of the Division. The Division may request LOC information on an occasional basis. This agreement grants approval by the Operator for the Bank to provide LOC information to the Division any time an inquiry is made via telephone, email, fax or letter.

***Redemption:***

**The LOC 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 LOC 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 LOC 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 LOC.

***Release:***

**The Bank shall release the LOC 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 LOC shall be returned to the Operator, or its legal successor-in-interest. In the event of the Bank's cancellation/termination of the LOC, (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 LOC. If the Operator does not replace the LOC within 60 days of the Bank's cancellation/termination notice, the Division may transfer the LOC 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 LOC funds to a state-managed cash account at and upon the Division's request.

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These Terms and Conditions are Agreed Upon By:

\_\_\_\_\_ Date: \_\_\_\_\_  
Company Office Signature  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Operator Name: \_\_\_\_\_

\_\_\_\_\_ Date: \_\_\_\_\_  
Bank Representative Signature  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Bank Name: \_\_\_\_\_

\_\_\_\_\_ Date: \_\_\_\_\_  
John R. Baza, Director  
Utah Division of Oil, Gas, and Mining

Mail to:  
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:

Letter of Credit 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:

Letter of Credit Number: \_\_\_\_\_

**AFFIDAVIT OF QUALIFICATION**  
**DIRECTOR**  
**\_\_ooOOoo\_\_**

I, John R. Baza, 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.

\_\_\_\_\_  
John R. Baza, 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: