



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

Collateral Bond Agreement-Certificate of Deposit
Fee Surface Owner Protection

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 \$6,000.00 ("CD").

Well Information: Well Name: \_\_\_\_\_
Quarter/Quarter: \_\_\_\_\_ Section: \_\_\_\_\_ Township: \_\_\_\_\_ Range: \_\_\_\_\_
County: \_\_\_\_\_, Utah

Surface Owner Information: Surface Owner Name: \_\_\_\_\_
Address: \_\_\_\_\_
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_
Phone Number: \_\_\_\_\_
Email Address: \_\_\_\_\_

Operator Obligation

The condition of this obligation is such that the Operator (its heirs, executors and successors) is or will be responsible for protecting the fee surface land owner ("Surface Owner") against unreasonable loss of crops on surface land, unreasonable loss of value of existing improvements, and unreasonable permanent damage to surface land in conjunction with conducting oil and gas operations. See Utah Admin. Code R649-3-38.

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 surface restoration where a surface agreement is not in place. It is the intention of the parties that the CD be utilized as principal to guarantee that the full principal amount plus any accrued interest will be available to the State of Utah, Division of Oil, Gas, and Mining ("Division"), as the agent

Certificate of Deposit Number: \_\_\_\_\_

for the Surface Owner, for proper surface restoration. Upon demand and in the event the Operator is unable or unwilling to complete proper surface restoration in compliance with applicable state law and regulations, the Division may redeem the CD according to the steps outlined below. A hold shall be placed on any CD record(s) and the Bank shall provide proof of such hold to the Division. Bank waives all rights of setoff or liens against the CD(s) identified above.

**Ownership and Renewal:**

Ownership of the CD is retained by Operator, but it is **payable to the Division** and held by Bank **for the Division, as the agent for the Surface Owner, for the use and benefit of the Surface Owner**, 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 plus any accrued interest of the CD shall be transferred to the Division, as the agent for the Surface Owner, for the use and benefit of the Surface Owner. 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 Division, pursuant to Utah Admin. Code R649-3-38.6.4. 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 surface restoration. 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 remain within the account, as outlined in Utah Admin. Code R649-3-38.6.4. In no event shall the Bank transfer any amount, principal or accrued interest, from the CD. All tax liabilities for accrued interest shall remain the sole responsibility of the Operator.

Certificate of Deposit Number: \_\_\_\_\_

These Terms and Conditions are Agreed Upon By:

\_\_\_\_\_  
Company Officer 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

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

Certificate of Deposit Number: \_\_\_\_\_

**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, 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: