

## Section A – P-5 Organizational Report & Financial Assurance

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## General Forms Required for Filing P-5 Organization Report

Check List	Form	Authorization
	P-5	SWR 1 - Organization name to be filed and records kept.
	P-5O	SWR 1 - Officer Listing required.
	P-5A	SWR 1 - Non-Employee Agent Listing required.

## Associated Documents Required for Filing Financial Assurance

Check List	Form	Authorization
	P-5PB(1)	<b>Individual Performance Bond</b> (Financial Assurance Option 1)
	P-5PB(2)	<b>Blanket Performance Bond</b> (Financial Assurance Option 2)
	P-5LC	<b>Letter of Credit</b>
	Cashier's Check	<b>SWR 78</b> - Fees required to be filed (If filing a cash deposit as Financial Assurance, payment of that deposit must be by cashier's check)

## Additional Requirements for Filing Annual P-5 Renewal

Check List	Form	Authorization
	Check	<b>SWR 78</b> - Filing Fee (Note: The filing fee may also be included in the Cashier's Check for operators filing financial assurance in the form of a cash deposit)
	Options Fact Sheet	Computer generated listing of available financial options.
	Inactive Well Listing	Computer generated listing of inactive wells subject to Rule 14(b)(2) at the time of P-5 Renewal.

## Inactive Well Requirements for filing Annual P-5 Renewal

Check List	Form	Authorization
	W-3C	SWR 15 - Surface Equipment Removal Certification
	W-3X	SWR 15 - Plugging Extension Application

# General Requirements for Organization Report Filings

## Forms P-5, P-50, P-5A

1. All P-5 Forms are to be filed with the Austin office. (Refer to back of the P-5 Form for the address.)
2. The P-5 Organization Report filing was revised September 2011 and consists of two principal forms: The P-5 form addresses the organization information and the P-50 form provides the officers for the organization. Additional forms and attachments may be required depending on the operations in which the filer is engaged.
3. Forms should be filled out and signed in blue or black ink or typed. Forms executed in pencil or in inks other than blue or black are not acceptable and will not be approved.
4. Corporations, Limited Liability Companies, Limited Liability Partnerships, and Limited Partnerships must be registered with the Texas Secretary of State. Registration with the Secretary of State must be completed and in good standing before the Commission can approve your P-5 Organization Report filing. If the company is an organization that requires registration with the Texas Secretary of State and is operating under an assumed name, the assumed name must also be registered with the Texas Secretary of State. (Assumed names for other types of business entities should be registered at the county courthouse in the county where the office is located, or business is conducted.)
5. The organization name shown on the Form P-5 is limited to 32 characters, including spaces, initials and any punctuation used. On initial filings, if the organization is an entity that requires registration with the Texas Secretary of State, the organization name listed on the P-5 filing must be the full exact name as registered with the Texas Secretary of State (including punctuation). This information will be verified through the Texas Secretary of State's office.
6. After the initial filing of the Form P-5, an annual renewal is required for as long as the filer has activity on Commission records. The RRC will mail a packet to each active operator when their renewal is due. This packet is to be reviewed, corrected if necessary, signed, and returned by the due date shown on the form along with any attachments required based on your activity. Your renewal packet will include information on all necessary attachments. Failure to file the Form P-5 annually when you have activity is a violation of SWR 1 and subject to penalty.
7. Location Address:
  - a. If no street name and number is available or a 911 address has not been assigned by the United States Postal Service for a location, a description of that location is required. (EXAMPLE: 5 mi. W. of Austin on Hwy 290).

- b. A route and box number combination is an acceptable location address. A Post Office Box is not a sufficient location address (although it is an acceptable mailing address).
- 8. Resident Agent: For any entity located outside of Texas, a Texas resident agent is required. This is shown in Item 5 on Form P-5
- 9. Phone numbers: Form P-5 requires both a general phone number for the company as well as an emergency after-hours contact number. These may be the same phone number, but both must be provided.
- 10. Officer Names, identification numbers and Addresses (Form P-50)
  - a. All officers must provide their full legal name.
  - b. If the organization is a sole proprietorship, the owner must provide his/her social security number. For all other business types, all officers must provide either their driver's license number, Texas ID number (issued by the Texas Department of Public Safety), or their social security number. These numbers are treated as confidential by the Commission and are not subject to open records requests. (This information is redacted from the forms prior to archiving.)
  - c. A location address different from that of the organization is a requirement for officers, unless your office is located out of your residence. Mark the check box on the P-50 form indicating you are operating out of the home. A registered agent (with an address different from that of the company) may be provided instead of providing separate officer addresses: if a resident agent with a different Texas address is provided, you may use the company address for the officers.
  - d. If the officer of a company is not a person (e.g., where a corporation is an officer of another corporation), you must provide the officers of each company until you have identified the person or persons in charge of each entity. For each succeeding layer, the title should include the entity for which the listing is an officer. (Example: if you are filing an organization report for ABC Co. LLC, and the manager member of that entity is XYZ Corp., then your P-50 Officer Listing would include XYZ Corp as "Manager Member, ABC Co. LLC" and would also include the officers of XYZ Corp such as John Smith, "President, XYZ Corp.").
- 11. Signatures and Form P-5A: Form P-5 must be signed by an employee of the company, or by a previously designated non-employee agent. If you wish to designate an agent to sign future P-5 Organization Report filings on your behalf, you must prepare an Agent listing on Form P-5A. The designation of an agent must be signed by an employee of the company; an agent cannot designate himself as such for purposes of filing an organization report.

12. A space for an optional email address has been provided on the P-5 to enhance communication regarding your P-5 filing. You are not required to provide an email address when completing and filing this form. Please be aware that information provided to any governmental body may be subject to disclosure pursuant to the Texas Public Information Act or other applicable federal or state legislation. If you provide an email address, you affirmatively consent to the release of that email address to third parties. Other departments within the Railroad Commission also may use the email address you provide to communicate with you.

## **Information on P-5 Filing Fee**

Pursuant to the Texas Natural Resources Code, with each annual Organization Report filing, the Commission will collect a P5 Filing Fee. The amount of the filing fee will vary according to the activities in which the organization is engaged. Please contact the P-5 Department at 512-463-6772 to determine the appropriate filing fee.

Note: The P-5 Filing Fee is separate from and in addition to the requirement that an operator provide financial assurance.

## **Information on P-5 Financial Assurance Options**

For organizations required to file financial assurance, a bond, letter of credit or cash deposit is required from each organization filing an initial or renewal P-5 Organization Report. While general information on the various financial assurance options appears below, detailed information is included with the annual P-5 renewal notice. That mailing will also include the forms required under each option and a "P-5 Organization Report Fact Sheet." For questions on the P-5 Organization Report requirements, call the P-5 Financial Assurance Unit at (512) 463-6772.

### **The P-5 Organization Report Fact Sheet**

The fact sheet accompanying an organization's P-5 renewal notice contains specific information that will assist the organization in selecting the option that best suits its needs. It will show the required coverage or cost for the organization under each option. For organizations which operate wells, there will be more detailed data; the total number of wells which are subject to Statewide Rule 14(b)(2) plugging provisions, additional detail information on these wells subject to Statewide Rule 15 Surface Equipment Removal compliance, including shut-in dates and cost calculation bonding in addition to the total aggregate depth for the inactive wells.

## **P-5 financial Assurance Options**

One of the following is to be filed with the initial and renewal P-5 Organization Report. Note that operators of Bay and/or Offshore wells will have additional bonding requirements (see “Bay & Offshore Bonding” below).

### **Individual Performance Bond, Letter of Credit or Cash Deposit**

Only organizations that operate wells and have no other activities at the time of filing may use this option. The value of the bond, letter of credit or cash deposit under this option is equal to \$2 per foot multiplied by the total aggregate depth of all wells listed on the Oil and Gas Proration Schedule for the operator.

### **Blanket Performance Bond, Letter of Credit or Cash Deposit**

Any organization may choose this option. The amount of the bond, letter of credit or cash deposit under this option is determined according to the following schedule: (the well count includes all wells and the coverage also includes any non-well related activities)

\$ 25,000 - an organization that operates 1 to 10 wells

\$ 50,000 - an organization that operates 11 to 99 wells

\$250,000 - an organization that operates 100 or more wells

### **Bay and Offshore Bonding**

The Commission requires additional financial assurance for operators of bay and/or offshore wells. The amount of additional financial assurance is calculated based upon the location of wells and their producing status. If you have bay and/or offshore wells and have questions about the additional financial assurance requirement, please refer to Statewide Rule 78(g) or contact the P-5 department.

### **Well-Specific Plugging Insurance**

An operator may remove a wellbore from their financial assurance calculation by filing a well-specific insurance policy that guarantees the plugging of that wellbore. Such a policy must meet the requirements of Statewide Rule 78, which includes a requirement that the issuer be authorized by the Texas Department of Insurance to issue such insurance.

## Requirements and General Instructions on W-3C and W-3X Filings

1. An operator is required to file a Form W-3C and Form W-3X for each inactive well subject to Statewide Rule 15.

### **W-3C compliances depends on the length of inactivity of a well.**

- 1) for all wells that have been inactive for 12 months or longer the operator must physically terminate the electric service to the production site.
- 2) for wells that have been inactive at least 5 years but less than 10 years:
  - a. the operator must certify that production fluids have been emptied or purged from all piping, tanks, vessels and equipment associated with the well or
  - b. the operator owns the surface of the land where the well is located.
- 3) for wells that have been inactive 10 years or longer:
  - a. the operator has removed all surface equipment
  - b. the operator owns the surface of the land where the well is located; or
  - c. the well is associated with a Commission approved Enhanced Oil Recovery (EOR) project

### **W-3X plugging extension on an inactive well can be achieved by blanket or individual options**

#### **Blanket options:**

- 1) an operator can plug or restore to active status 10% of the number of inactive wells operated at their last P-5 renewal date.
- 2) an operator that is a publicly traded entity may file with the Commission a copy of federal documentation filed with the Secretary of State office that names the operator as “debtor” and the Railroad Commission of Texas as a “secured creditor” and specifies the funds covered by these documents in the amount of the “cost calculation” for plugging all inactive wells held by the operator.
- 3) an operator may file a bond (Form P-5, P-5PB(1)), Letter of Credit (P-5LC) or cash deposit in the amount of the “cost calculation” for plugging all inactive wells or \$2 million, whichever is less.

#### **Individual (well level) options:**

- 1) an “abeyance of plugging report” along with the appropriate fee.
- 2) the well is associated with a Commission approved Enhanced Oil Recovery (EOR) project
- 3) the operator has performed an approved fluid level or hydraulic pressure test and submitted a Form H-15 with the appropriate fee. This option is only available if the well is not currently required to be tested.
- 4) additional financial security in the amount of the cost calculation” for plugging the well; or
- 5) an escrow deposit that equals 10% of the “cost calculation” for plugging the well



2. A 90-Day extension to complete the P-5 renewal may be granted for an operator if all requirements have been met except for those associated with Statewide Rule 15 compliance for inactive wells. Generally, this entails filing the Form P-5 (Organization Report), the financial security (bond, letter of credit or cash deposit) and P-5 filing fee. The 90-day extension begins at the point of the operator's renewal date.
3. Original signatures are required on all W-3C and W-3X forms. A person with personal knowledge of the condition of the inactive well must sign the W-3C form. An agent's signature is not acceptable. A W-3X form can be signed by an individual authorized by the company.
4. Filing Fee. Certain options selected on the W-3C and W-3X forms may require a filing fee. Refer to forms for further information.
5. If an operator chooses to provide an abeyance of plugging report for W-3X plugging extension compliance, this document must be signed and sealed by a licensed Texas professional engineer or professional geoscientist.
6. Escrow payments must be submitted in the form of a cashier's check.
7. All checks should be made out to the Railroad Commission of Texas.
8. Statewide Rule 15 compliance is required for all wells that have been inactive for a period of 12 months or more. A listing of wells subject to Statewide Rule 15 is included in all P-5 renewal packets. This listing is also available through the following Commission online queries:

For access to the P-5 Renewal Status Query, please visit the RRC website at:

<http://webapps2.rrc.texas.gov/EWA/inactiveWellStatusQueryAction.do>

For access to the Inactive Well Aging Report (IWAR) Query, please visit the RRC website at:

<http://webapps2.rrc.texas.gov/EWA/inactiveWellQueryAction.do>

A general overview of Statewide Rule 15 compliance is available online at the following link:

<http://www.rrc.texas.gov/compliance/hb2259/index.php>

## Questions and Answers Pertaining to the Organization Report

Question Pertains to (Form, Rule, Procedure)	Question	Answer	Contact
P-5	I received a prospectus from an operator. What can you tell me about the operator?	If the operator has registered with the Commission, we can provide address, phone number and officer information. We can also provide a list of the operator's activities and the current P-5 status.	P-5 Dept. 512-463-6772
P-5	Can the RRC verify charter information for a Corporation or a Limited Partnership?	No. Please contact the Secretary of State.	Secretary of State 512-463-5555
P-5	How can I find the investors involved in a particular venture?	Certain investment offers require registration with the Federal Securities and Exchange Commission and the State Securities Board. The Commission does not require or regulate that information.	Federal Securities and Exchange Commission 817-334-3821
P-5	What is the purpose of wanting driver's license numbers and home addresses on the P-5?	SWR1 requires this information. The Commission uses this information to track responsible parties for violations to statewide rules.	Office of General Counsel 512-463-7149
P-5	Why does the RRC require sole proprietors to file a social security number?	The Family Code requires that we collect social security numbers to track responsible parties for failure to file child support payments.	Office of General Counsel 512-463-7149

Questions and Answers Pertaining to the Organization Report

Question Pertains to (Form, Rule, Procedure)	Question	Answer	Contact
P-5	I operate no wells, but I have other operations. Do I still have to file financial assurance and a filing fee?	The filing fee is required of all organizations filing an organization report with the Commission. Financial assurance is required if you have any operations outside of the following list: first purchaser, survey company, salt-water hauler, gas nominator, gas purchaser or well plugger.	P-5 Dept. 512-463-6772
P-5	I am a bonded operator. Do I still have to pay the filing fee?	Yes. The filing fee is required in addition to any form of financial assurance you have provided. Both the filing fee and financial assurance must be provided before your P-5 (new or annual renewal) can be approved.	P-5 Dept. 512-463-6772
P-5	I received a severance for failure to complete my P-5 renewal. What do I do?	First, resolve the violation. Second, send the statutory reconnect fee and a copy of the severance letter to the Commission's Central Fees Department.	P-5 Dept. 512-463-6772
P-5	How do I change officer and agent information on my P-5?	Changes to officers or the resident agent must be done through the filing of a revised P-5. It cannot be done over the phone.	P-5 Dept. 512-463-6772
P-5	A company lists me as their resident agent, but I am not. What can I do?	Write a letter to the RRC stating the facts. Our legal department will review your situation and may authorize us to remove you from that P-5.	P-5 Dept. 512-463-6772

## Questions and Answers Pertaining to the Organization Report

Question Pertains to (Form, Rule, Procedure)	Question	Answer	Contact
P-5	How do I change a P-5 address?	Companies that have only one mailing address on file can file a revised P-5 or send a letter to the P-5 Department. Companies with mailing addresses sorted by districts and specialties must send a letter requesting the specific change and indicating which mailings are covered under the changes. Address changes cannot be done over the phone or on any other RRC form.	P-5 Dept. 512-463-6772
P-5	Why does the RRC require a resident agent to be listed on a P-5 in the State of Texas?	This is a requirement of SWR 1. The purpose of the agent is to have someone within the state to which notice can be served if that is required. This is a required item only for entities outside the State of Texas.	P-5 Dept. 512-463-6772
P-5	Can I change my organization name and keep the same P-5 number?	No. The P-5 number is a unique number assigned when the initial P-5 is processed. It cannot be transferred to a different name. We do not use duplicate names and numbers.	P-5 Dept. 512-463-6772
P-5	How do I change operator names?	You must file a P-5 showing the new name, addresses, plan of organization, and you may have to file financial assurance. In item #7, indicate the previous name and operator number. This will establish the new name on RRC files. If you were previously an operator, you also need to file P-4s to transfer the property to the new name. If you were a gatherer or purchaser, contact your operator to file corrected P-4s. If you are involved in other activities (pipeline, transporter, etc.), contact that department for instructions.	P-5 Dept. 512-463-6772

## Questions and Answers Pertaining to the Organization Report

Question Pertains to (Form, Rule, Procedure)	Question	Answer	Contact
P-5	What companies are required to file a P-5?	Any organization or individual performing operations as listed under SWR 1. Generally, if a company must file paperwork with the Oil and Gas Division of the RRC, then they must file a P-5.	P-5 Dept. 512-463-6772
Bonds & Letters of Credit	Who do I contact for a bond or letter of credit?	If you choose to file a bond, contact an insurance Company. If you choose a letter of credit, contact your bank.	P-5 Dept. 512-463-6772
Cash Deposits	I've decided to provide a cash deposit for my financial assurance. What do I need to send you?	Cash Deposits must be tendered in the form of a certified cashiers check. All cash deposits will be placed in a special account within the Oil and Gas Regulation and Cleanup Fund account. Any interest accruing on cash deposits will be deposited into the Oil and Gas Regulation and Cleanup Fund pursuant to Texas Natural Resources Code, §91.111(c)(8).	P-5 Dept. 512-463-6772
Bonds & Letters of Credit	I have posted a bond (or letter of credit or cash deposit), and I want to change to a different instrument under the same financial assurance option. Can I?	Yes. You can change between bonds, letters of credit or cash deposits within the same financial assurance option. However, except for certain limited cases, you cannot "mix and match" the three. The replacement form of financial assurance must be on file before the previous one can be released.	P-5 Dept. 512-463-6772

# ORGANIZATION REPORT

**READ INSTRUCTIONS ON BACK**

<b>1. Purpose of Filing</b>	<input type="checkbox"/> New Filing <input type="checkbox"/> Annual Refiling <input type="checkbox"/> Change of Officers/Resident Agent <input type="checkbox"/> Address Correction		<b>2. RRC Operator No.</b> (if assigned)
Name of entity: (If the name of the organization has changed, see Instructions on back)			
<b>3. ORGANIZATION</b>	Mailing Address:		Street Address:
	Organization Phone Number:		Emergency (after hours) Phone Number:
<b>4. Plan of Organization</b> (select one)			
<input type="checkbox"/> A. Corporation <input type="checkbox"/> B. Limited Partnership <input type="checkbox"/> C. Sole Proprietorship <input type="checkbox"/> D. Partnership <input type="checkbox"/> E. Trust <input type="checkbox"/> F. Joint Venture <input type="checkbox"/> G. Estate <input type="checkbox"/> H. Ltd Liability Co. (LLC) <input type="checkbox"/> I. Other (specify):			
Name of Texas Resident Agent:			
<b>5. TEXAS RESIDENT AGENT</b>	Street Address		Mailing Address
	A Texas Resident Agent is required for any foreign or nonresident organization pursuant to Statewide Rule 1(a)(4)(D).		
<b>6. Attachments:</b>			
P-5O - Officer Listings: Information for each controlling entity of the organization as required by Statewide Rule 1(a)(4)(C). P-5A - Agent Listings: (optional) - Designation of non-employee agents authorized to sign certain Forms P-4 and P-5 pursuant to Statewide Rule 1(a)(4)(E). Filing Fee: Required for all "New Filing" and "Annual Refiling" submissions. See instructions on back. Financial Assurance: If the operator is required to maintain financial assurance, the Organization Report will not be approved until it is in place.			
<b>7. Reorganization</b> <input type="checkbox"/> Check here if this is a reorganization of an existing registrant			
If checked, provide the current name and RRC P5 Number:			
<b>8. Comments:</b> (optional)			
<p>Organization reports for operators of inactive wells: The Commission may not approve the P-5 Organization Report for an operator of one or more inactive wells unless the operator has complied with Commission rules and Texas statutes concerning the approval of plugging extensions for such inactive wells, including disconnection of electrical service and any required surface equipment removal.</p> <p>Organization reports for operators with outstanding enforcement orders/judgments: The Commission may not approve the P-5 Organization Report for an operator if that operator is the subject of a final and unappealable order related to a violation of a Commission rule, order, license, permit, or certificate relating to safety or the prevention or control of pollution. Organization Reports for organizations with officers who are subject to such outstanding orders through their involvement with other organizations similarly may not be approved.</p> <p>If the organization has used, or reported use of, a well for which the Certificate of Compliance has been canceled, the Commission may refuse to approve an Organization Report until the operator has paid any required reconnect fees and the Certificate of Compliance has been reissued for the well.</p> <p>An organization must file an amended Organization Report within 15 days after a change in any information required to be reported in the Organization Report.</p>			
Signature _____ Title _____ Filer's Name (Printed) _____ Filer's Telephone Number _____ Email Address (OPTIONAL - SEE INSTRUCTIONS FOR IMPORTANT INFORMATION) _____ Date _____			<b>FOR RRC USE ONLY</b>
			Approved by _____ Remarks _____
Certificate: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein			

# Organization Report (Form P-5)

## Instructions

### References

Oil & Gas Statewide Rules 1 (Organization Report; Retention of Records; Notice Requirements), 14 (Plugging), 15 (Inactive Wells and Surface Equipment Requirements), and 78 (Fees, Performance Bonds and Alternate Forms of Financial Security Required to Be Filed); and Pipeline Safety Statewide Rule 58 (Organization Report). The Railroad Commission's rules may be found on our website at <http://www.rrc.texas.gov/rules/rule.php>.

### Who must file Form P-5

Any entity performing operations within the jurisdiction of the Commission's Oil & Gas Division in accordance with Oil and Gas Statewide Rule 1; and each gas and/or liquids company and each master meter operator performing operations within the jurisdiction of the Commission's Safety Division in accordance with Pipeline Safety Statewide Rule 58. (Master meter operators filing solely as required by the Safety Division, see "Special Instructions for Master Metered System Operators" section below.)

### When to file Form P-5

*Initial Filing* – Your initial Organization Report must be filed prior to beginning operations within the Commission's jurisdiction.

*Renewal Filings* – Your Organization Report must be refiled annually. The Commission will notify you before your refiling date by mailing you computer-generated Organization Report forms pre-printed with the information currently shown on your Organization Report record. Review the information carefully, update as needed, and then sign and submit the Organization Report renewal to the Commission.

*Changes* - If any information provided on your organization report changes, you must submit a revised organization report within fifteen (15) days of the change, except as noted below:

*Address Changes* - If the only change is to the organization's address or telephone number, then you may update that information by sending a signed letter to the P-5 Financial Assurance Unit. No other information may be updated by letter.

*Organization Name Change* – If the name of the organization has changed (due to reorganization or change in the form of business), you must file a new Organization Report in the new name and obtain a new operator number. A new filing submitted for this purpose should reference the prior name by entering that information in Item No. 7.

### Specific items on Form P-5

1. Check the proper block to show the purpose of filing. More than one block may be checked.
2. Your permanent RRC operator number is assigned after the initial filing of your P-5. Your operator number will be required on most reports and forms you file with the Commission.
3. "Name of Entity": For new filings, enter the full name of your organization. If you are required to register with the Texas Secretary of State, your name shown in Box 3 on the Organization Report should exactly match your name as shown on your Secretary of State registration, including punctuation. (Due to space limitations, the Commission may abbreviate your name for entry into Commission systems.)
4. Check the appropriate plan of organization on all filings. Select only one plan of organization.
5. If you are a foreign or non-resident organization (i.e., your organization is located outside of the State of Texas as indicated by the street address in No. 3), you must designate and maintain a Texas resident agent within the state. A Texas Resident Agent with an address different from that of the organization may also be designated as an alternative to providing separate addresses for the officers on Form P-5O (Organization Report Officer Listing).
6. If you have reorganized and changed your organization name, check the box and provide the previous name and operator number.

**Special instructions for master metered system operators**

If the operation of one or more master metered systems is the only activity for which the Organization Report is being filed, then you should note that in Item No. 8 (Remarks), and observe the following requirements:

The required filing fee for New Filings and Annual Renewals is \$225.00.

No financial assurance is required for master meter operators.

The Organization Report must be filed in the name of the legal entity operating the master meter.

The system manager(s) must be identified among the officers on Form P-50.

A listing of all systems for which the filing entity is responsible must be attached to the Organization Report filing.

**Filing Fee**

Except as noted above, the filing fee for a New Filing (the initial Organization Report filed by an entity) is \$300.00. The filing fee for an Annual Renewal of an entity's Organization Report will be based on the activities in which the organization is engaged and may be up to \$1,350.00. See Rule 78. (There is no filing fee for an Organization Report filed solely to update officers, agents and/or addresses.)

**Financial Assurance**

Most Commission regulated activities, including the operation of wells and pipelines, will require the operator to file and maintain some form of financial assurance (such as a bond, letter of credit, or cash deposit) in varying amounts. If the filing operator is required to maintain financial assurance, any renewal documentation for the financial assurance must be on file for the period covered by the P-5 Organization Report (plus any additional period following expiration of the Organization Report that may be required by your financial assurance documents) before the Organization Report renewal can be approved and processed.

**Email Address**

*You are not required to provide an email address when completing and filing this form.* Please be aware that information provided to any governmental body may be subject to disclosure pursuant to the Texas Public Information Act or other applicable federal or state legislation. If you provide an email address, you affirmatively consent to the release of that email address to third parties. Other departments within the Railroad Commission also may use the email address you provide to communicate with you.

**Mail to:** Railroad Commission of Texas  
P-5 Financial Assurance Unit  
P O Box 12967  
Austin, Texas 78711-2967



# ORGANIZATION REPORT OFFICER LISTING

(File as attachment to Form P-5 Organization Report)

Page \_\_\_\_ of \_\_\_\_

1. Current operator name exactly as shown on P-5 Organization Report	PURSUANT TO Oil & Gas Statewide Rule 1(a)(4)(C), information must be provided "for each officer, director, general partner, owner of more than 25% ownership interest, or trustee (hereinafter controlling entity) of the organization."
2. RRC Operator No. (if assigned)	

**Instructions:**

Attach as many sheets as are needed to identify all required officers.

**Full Legal Name:** The entity's or individual's full legal name. Please do not use initials.

**ID Number:** If the filing organization is a Sole Proprietorship (i.e., an individual), you must provide the owner's social security number. Otherwise, you may provide (at your choice) the officer's social security number, driver's license number, or Texas State Identification number. (Note: The Railroad Commission considers such ID numbers to be confidential information.)

**Addresses:** You must provide an address for each officer that is different from the address for the organization UNLESS: 1) you have shown a Texas Resident Agent on your Organization Report, and that agent has an address different from that of the organization; or 2) the organization is being operated out of the officer's home.

If an entity is identified as an officer on this form, you must also identify each officer of that entity.

<b>3. OFFICERS</b>	Full Legal Name:	Title:
	Street Address: <input type="checkbox"/> Check here if operating out of this officer's home.	Mailing Address (if different from Street Address)
	<input type="checkbox"/> Driver's Lic. <input type="checkbox"/> State ID <input type="checkbox"/> Social Security No.   State (if not SSN):	Number:
	Full Legal Name:	Title:
	Street Address: <input type="checkbox"/> Check here if operating out of this officer's home.	Mailing Address (if different from Street Address)
	<input type="checkbox"/> Driver's Lic. <input type="checkbox"/> State ID <input type="checkbox"/> Social Security No.   State (if not SSN):	Number:
	Full Legal Name:	Title:
	Street Address: <input type="checkbox"/> Check here if operating out of this officer's home.	Mailing Address (if different from Street Address)
	<input type="checkbox"/> Driver's Lic. <input type="checkbox"/> State ID <input type="checkbox"/> Social Security No.   State (if not SSN):	Number:
	Full Legal Name:	Title:
	Street Address: <input type="checkbox"/> Check here if operating out of this officer's home.	Mailing Address (if different from Street Address)
	<input type="checkbox"/> Driver's Lic. <input type="checkbox"/> State ID <input type="checkbox"/> Social Security No.   State (if not SSN):	Number:

# ORGANIZATION REPORT NON-EMPLOYEE AGENT LISTING

1. Current operator name exactly as shown on P-5 Organization Report	<b>PURSUANT TO Oil &amp; Gas Statewide Rule 1(a)(4)(E)</b> , the organization must provide the name of any non-employee agent that the organization authorizes to act for the organization in signing Oil and Gas Division certificates of compliance which initially designate the operator or change the designation of the operator. Organizations may designate non-employee agents to execute subsequent organization reports. <b>That designation shall be authorized by the organization and not by a non-employee agent.</b>
2. RRC Operator No. (if assigned)	

**Instructions:**

DO NOT USE THIS FORM TO DESIGNATE A TEXAS RESIDENT AGENT. (Your Texas Resident Agent is identified on Form P-5 to which this is attached.) This Form P-5A must ONLY be used if you have designated a non-employee agent with authority to sign operator-change Forms P-4 and/or P-5 renewals. If you have not designated any non-employee agents for that purpose, then you should not file Form P-5A.

THIS FORM MAY BE FILED AT ANY TIME. If a change in an organization's representation has occurred, a revised Non-Employee Agent Listing may be filed at any time to update the commission's records.

IF ANY NON-EMPLOYEE AGENTS LISTED ON THIS FORM ARE NOT CURRENTLY DESIGNATED ON YOUR ORGANIZATION REPORT RECORD, THEN THIS FORM P-5A MUST BE SIGNED BY A DULY AUTHORIZED COMPANY OFFICER OR EMPLOYEE. (If no changes have been made to the information on this form and it is being filed in connection with the annual renewal of the organization's P-5, then a previously designated non-employee agent listed below may sign it.)

EMAIL ADDRESS: YOU ARE NOT REQUIRED TO PROVIDE AN EMAIL ADDRESS when completing and filing this form. Please be aware that information provided to any governmental body may be subject to disclosure pursuant to the Texas Public Information Act or other applicable federal or state legislation. IF YOU PROVIDE AN EMAIL ADDRESS, YOU AFFIRMATIVELY CONSENT TO THE RELEASE OF THAT EMAIL ADDRESS TO THIRD PARTIES. Other departments within the Railroad Commission also may use the email address you provide to communicate with you.

<b>3. DESIGNATED NON-EMPLOYEE AGENTS (authorized to file operator-change Forms P-4 and renewal Forms P-5.)</b>	Agent's Name: _____		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Street Address:</td> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Mailing Address (if different from Street Address)</td> </tr> </table>	Street Address:	Mailing Address (if different from Street Address)
	Street Address:	Mailing Address (if different from Street Address)	
	Agent's Name: _____		
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Street Address:</td> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Mailing Address (if different from Street Address)</td> </tr> </table>	Street Address:	Mailing Address (if different from Street Address)	
Street Address:	Mailing Address (if different from Street Address)		
Agent's Name: _____			
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Street Address:	Mailing Address (if different from Street Address)		
Agent's Name: _____			
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Street Address:</td> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Mailing Address (if different from Street Address)</td> </tr> </table>	Street Address:	Mailing Address (if different from Street Address)	
Street Address:	Mailing Address (if different from Street Address)		

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Signature</td> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Title</td> </tr> <tr> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Filer's Name (Printed)</td> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Filer's Telephone Number</td> </tr> <tr> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Email Address (OPTIONAL - SEE INSTRUCTIONS FOR IMPORTANT INFORMATION)</td> <td style="width: 50%; border-bottom: 1px solid black; padding: 2px;">Date</td> </tr> </table> <p style="font-size: small;">Certificate: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therei</p>	Signature	Title	Filer's Name (Printed)	Filer's Telephone Number	Email Address (OPTIONAL - SEE INSTRUCTIONS FOR IMPORTANT INFORMATION)	Date	<p style="text-align: center; font-weight: bold; font-size: small;">FOR RRC USE ONLY</p> <p>Approved by _____</p> <p>Remarks _____</p>
Signature	Title						
Filer's Name (Printed)	Filer's Telephone Number						
Email Address (OPTIONAL - SEE INSTRUCTIONS FOR IMPORTANT INFORMATION)	Date						

# Individual & Blanket Performance Bonds, Letters of Credit, or Cash Deposits

## Instructions

rev. 12/2005

For Wells and Other Oil and Gas Operations Pursuant to Sections 91.103, 91.104, 91.1041, 91.1042 & 91.109 Tex. Nat. Res. Code (TNRC)

### A. Financial Security

Except as noted below, a person required to file a P-5 Organization Report (P-5), under § 91.142, TNRC and Commission rules, must also execute and file a bond, letter of credit or cash deposit. There are two options available under which a person would be considered a “Bonded Operator” under Commission rules: *Option 1* – an individual performance bond, letter of credit or cash deposit covering only wells; or *Option 2* – a blanket performance bond, letter of credit or cash deposit covering wells and/or other oil and gas operations. A person filing a P-5 who is engaged in non-well activities that require the filing of financial security cannot use Option 1. Bonds and Letters of Credit must be filed on forms approved by the Commission; these forms are available from the Commission or on our website at [www.rrc.texas.gov](http://www.rrc.texas.gov). Bonds must be issued by a surety company registered in the State of Texas with the Texas Department of Insurance.

#### Exemption from Financial Security Requirement:

If an operator's only activity is as a first purchaser, survey company, salt water hauler, gas nominator, gas purchaser or well plugger is not required to file financial security in connection with their P-5 filing.

#### Well Specific Plugging Insurance:

A wellbore for which the operator has filed a well-specific plugging insurance policy will be excluded from the calculation of an operator's financial security requirement. An insurance policy filed for this purpose must meet the requirements of Statewide Rule 78.

### B. Individual Performance Bond (Option 1)

An individual performance bond may be submitted by any person who operates one or more wells and who has no other Commission-regulated activities that require financial security at the time of filing. An individual bond will cover all permitted wells and all current wells carried on the Commission's Oil and Gas Proration Schedules, including but not limited to active, inactive, injection or disposal, 14(b)(2) extension, or hydrocarbon storage. Additional wells that are obtained during the current year and prior to the filing of next year's P-5 may require that the bond amount be increased to cover the additional wells. Only one individual bond covering all wells is required.

### C. Blanket Performance Bond (Option 2)

A blanket performance bond may be submitted to cover *all* Commission-regulated operations performed by a person, including all current wells. Additional wells that are obtained prior to the filing of next year's P-5 and carried on the Oil and Gas Proration Schedules will be automatically covered by the bond provided that the total number of wells remains within the range specified for the bond amount (see I(1) below). Only one blanket performance bond is required for a person performing multiple operations.

### D. Letter of Credit

A letter of credit may be submitted to fulfill financial security requirements, subject generally to the same requirements for bonds. If you are submitting a letter of credit in lieu of an individual performance bond under Option 1, you need not fill in Box #4 on the letter of credit.

### E. Cash Deposit

A cash deposit may be submitted in lieu of either bond. Cash deposits must be submitted by certified cashier's check and will be held in an account within the Oil and Gas Regulation and Cleanup Fund. Any interest accruing on cash

deposits will be deposited into the Oil and Gas Regulation and Cleanup Fund pursuant to Texas statute and will not accrue to the operator's account.

## **F. Oil & Gas Operations**

Statewide Rule 1 lists some of the oil and gas operations regulated by the Commission. These and others are also listed below. These operations and associated activities must be covered by a bond or alternate form of financial security. If you are submitting a blanket bond, in Box #4 on the bond (letter of credit), identify all Commission-regulated operations that you perform, by checking each appropriate operation and providing a sufficient description of any other Commission-regulated operations not listed below.

### **Commission-Regulated Operations**

- (A) permitting, drilling, operating, or producing any oil, gas, geothermal resource, brine mining injection, fluid injection, or oil & gas waste disposal well;
- (B) transporting, reclaiming, treating, processing, or refining crude oil, gas & products, or geothermal resources & associated minerals;
- (C) discharging, storing, handling, transporting, reclaiming, or disposing of oil & gas waste, including hauling salt water for hire by any method other than pipeline\*;
- (D) operating gasoline plants, natural gas or natural gas liquids processing plants, pressure maintenance or repressurizing plants, or recycling plants;
- (E) recovering skim oil from a salt water disposal site;
- (F) nominating crude oil or natural gas\*;
- (G) operating a direction survey company\*;
- (H) cleaning a reserve pit
- (I) operating a pipeline;
- (J) operating as a cementer approved for plugging wells\*;
- (K) operating an underground hydrocarbon or natural gas storage facility; or
- (L) gas purchaser\*.

\* If an operator's only activity is as a first purchaser, survey company, salt water hauler, gas nominator, gas purchaser or well plugger is not required to file financial security in connection with their P-5 filing.

## **G. When & Where to File**

When required, file the original of the bond or letter of credit (or notice of renewal, where appropriate), or tender the Cash Deposit, in the Commission's Austin office. Financial security may be required at the time of filing an initial or renewal P-5, upon acquisition of wells by P-4 transfer, or upon filing of an application for drilling permit. If a bond or letter of credit is declared forfeited, payment shall also be made to the Austin office. Financial security may be filed or modified at other times during the P-5 year subject to certain restrictions.

## **H. Amount of Individual Performance Bond, Letter of Credit, or Cash Deposit**

Persons who elect Option 1 (if available) shall file an individual performance bond, letter of credit or cash deposit, in an amount equal to \$2.00 per foot multiplied by the total aggregate depth of all wells on the Oil and Gas Proration Schedules for the operator, or the total depth of any permitted wells if the operator has no wells on schedule. The total aggregate depth will be determined from Commission records and is provided on your Options Fact Sheet. Increases in the total aggregate depth due to an increase in the number of wells operated by a person may require that the amount of the bond, letter of credit or cash deposit, be increased. Bay and offshore well operators have additional financial security requirements as described in J below.

## **I. Amount of Blanket Performance Bond, Letter of Credit, or Cash Deposit**

### **1. Wells Only:**

Number of Wells	Bond Amount
1 to 10	\$25,000.00
11 to 99	\$50,000.00
100 or more	\$250,000.00

### **2. Commission-Regulated Operations Other Than Wells:**

Except where excluded under Paragraph A above, persons performing other operations within the jurisdiction of the Commission, including, but not limited to those operations listed in Paragraph F, but who have no wells, shall file a bond in the amount of \$25,000.00.

### **3. Wells & Other Commission-Regulated Operations:**

Persons operating wells and performing other operations within the jurisdiction of the Commission for which financial security is required shall file financial security in an amount determined by the greater of that required by the wells operated or by the non-well activities. *Note:* Additional bonding for commercial facilities may be separately required by the Commission pursuant to Statewide Rule 78.

### **4. New Operations:**

Persons filing a P-5 Organization Report for the first time to perform Commission-regulated activities are not required to file financial security at the time of filing. However, the Commission may require financial security in an appropriate amount prior to granting authority for certain operations by that operator (including approval of P-4 transfers or the issuance of drilling permits).

### **5. Additional Wells:**

Additional wells acquired by a person will automatically be covered by the blanket bond, letter of credit or cash deposit, provided that the total number of wells does not exceed the range permitted by the amount submitted. If the total number of wells increases beyond the range permitted, the Commission will require additional coverage before further acquisitions will be approved.

### **6. Bay & Offshore Wells:**

Bay and offshore well operators have additional financial security requirements as described below.

## **J. Bay and Offshore Well Bonding**

In addition to the bonding required under H and I above, an operator of bay and/or offshore wells must provide additional entry level bonding of \$60,000 for bay wells or \$100,000 for offshore wells. Operators of such wells are required to file additional financial security equal to the presumed plugging cost of \$60,000 for each non-producing bay well or the presumed plugging cost of \$100,000 for each non-producing offshore well beyond the first non-producing well.

## **K. Wells**

All wells of a person carried on the current Commission Oil and Gas Proration Schedules must be counted in determining the bond amount for a blanket bond. In Box #3 on the bond (letter of credit), list your total number of wells. This includes active, inactive, injection or disposal, 14(b)(2) extension, hydrocarbon storage wells or other wells carried on the Schedules. For an individual performance bond or letter of credit, also state, in Box #3, the total aggregate depth of all your wells. Well count and depth are to be given as of the date you file the bond. If you have no wells on schedule, then any uncompleted wells for which you hold drilling permits (if any) will be used to calculate your financial security requirement. Refer to your Options Fact Sheet for well information.

## **L. Well Transfer**

A transfer, by any means, of any well covered under a bond is not complete unless the operator acquiring the well has on file with the Commission an individual performance bond, letter of credit or cash deposit under Option 1, or a blanket performance bond, letter of credit or cash deposit under Option 2, in an amount sufficient to cover both its current operations and the wells being transferred. Any existing bond, letter of credit or cash deposit remains in effect and the prior operator of the well remains responsible for compliance with all laws and Commission rules covering the transferred well until the Commission determines that the well is covered by proper financial security and the acquiring person has assumed full responsibility for the well in accordance with all state laws, including §91.107, TNRC and Commission rules.

## **M. Term & Expiration**

A person must have a valid and current bond, letter of credit or cash deposit on file while performing Commission-regulated operations. *The annual expiration date of a bond must be 150 days after your P-5 expiration date; the expiration date of a letter of credit must be 90 days after your P-5 expiration date.* When filing a bond or letter of credit for the first time, you will be required to file a bond with an extended term, to provide continuous coverage between your P-5 effective date and the appropriate period beyond the P-5 expiration date as stated above. Written notice of renewal of an existing bond or letter of credit must be given by the Surety or financial institution to the Commission, or a new bond or letter of credit (or other authorized form of financial security) must be filed on or before your P-5 filing date. Obligations under bonds or letters of credit may be released by written agreement between the Commission, Principal (Operator) and the surety or financial institution.

TO: RAILROAD COMMISSION OF TEXAS  
 Attention: Oil & Gas Division  
 Permitting/Production, P-5 Financial Assurance Section  
 P.O. Box 12967  
 Austin, TX 78711-2967

Bond # \_\_\_\_\_

**INDIVIDUAL PERFORMANCE BOND**

**P-5PB(1)**  
 rev. 6/2002

THE STATE OF TEXAS, COUNTY OF \_\_\_\_\_

WHEREAS, persons performing oil and gas operations within the jurisdiction of the Railroad Commission of Texas are required to execute and file with the Commission a bond covering those operations, pursuant to §91.103 and §91.104 of the Texas Natural Resources Code;

WHEREAS, the Principal as an operator of one or more wells, is also required to file an annual P-5 Organization Report (P-5) in order to operate wells and perform associated oil and gas activities;

WHEREAS, the Principal named below is the operator of wells listed on the Commission's Oil and Gas Proration Schedules, and any additional wells that may be obtained prior to the expiration of this bond and carried on the Oil and Gas Proration Schedules;

WHEREAS, the Principal's P-5 Organization Report and the Oil and Gas Proration Schedules pertaining to the Principal are incorporated herein by reference as if fully set forth at length;

WHEREAS, the Principal desires to perform oil and gas operations and activities within the jurisdiction of the Commission, and which operations and activities must be carried on in full conformance with all state laws and Commission rules, including those laws and Commission rules, orders, and permits requiring operators to plug and abandon all wells and control, abate, and clean up pollution associated with an operator's oil and gas operations and activities;

WHEREAS, Principal acknowledges and agrees that, due to amendments to the Texas Natural Resources Code, amendments to Commission Rules, and/or changes to the Principal's Commission-regulated operations, including without limitation the acquisition of additional wells, it may be required during the effective term of this bond to provide additional financial security beyond the face amount of this bond before its P-5 Organization Report will be accepted and approved.

1. Organization Name, exactly as shown on Form P-5 Organization Report.		2. P-5 Number, if assigned.
3. Total # of operator's wells:	4. Total aggregate depth of wells:	5. Effective Date of P-5 Renewal for which Bond is being submitted (Leave blank if this is the initial bond filing):

We, \_\_\_\_\_ (person's name) as Principal, and \_\_\_\_\_ as Surety, duly authorized and qualified to do business in the State of Texas, are held and firmly bound unto the State of Texas in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) payable at Austin, Travis County, Texas, and for the payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

This bond is conditioned that if the Principal will plug and abandon all wells and control, abate, and clean up pollution associated with its oil and gas operations and activities in accordance with state law and all permits, rules and orders of the Commission and is in full compliance with the following requirements, then the Principal and Surety are relieved of their obligation to pay the bond amount to the State:

1. Inactive wells shall be maintained in compliance with Commission Statewide Rule 14 (a) by plugging the wells, (b) by restoring the wells to beneficial use, or (c) so as to prevent the pollution of any ground or surface water in the state or any uncontrolled escape of formation fluids from the strata in which they were originally located.
2. All active wells shall be maintained so as to prevent the pollution of any ground or surface water in the state or any uncontrolled escape of formation fluids from the strata in which they were originally located.
3. All oil and gas operations and activities shall be carried out so as to prevent pollution of any ground or surface water in the state.

In the event of a failure of Principal to comply with the conditions and obligations of this bond, the Surety shall promptly remedy such non-compliance, in accordance with the laws of the state and permits, rules, and orders of the Commission, within 60 days of notice of non-compliance.

1. If any well or other oil and gas operation or activity subject to this bond is likely to pollute or is polluting any ground or surface water or allowing uncontrolled escape of formation fluids from the strata in which they were originally located, the Surety shall expend funds up to the face amount of the bond to control, abate and clean up pollution and to prevent further escape of formation fluids.
2. If any well or other oil and gas operation or activity subject to this bond is not polluting any ground or surface water or allowing uncontrolled escape of formation fluids from the strata in which they were originally located, but the Principal has failed to maintain current operator status as reflected in the Commission's P-5 Organization Report records, the Surety shall:
  - (a) Expend funds up to the face amount of the bond to properly plug the well or close any other abandoned operation or activity (Surety understands and agrees that plugging or closing operations must be completed once commenced without the expenditure of State Funds, including State Oil-field Cleanup Funds); or
  - (b) Pay liquidated damages. It is agreed by the parties that the actual damages which might be sustained by the Railroad Commission of Texas by reason of the failure to comply are uncertain and would be difficult of ascertainment, and it is further agreed that the sum of \$2.50 per foot multiplied by the total depth of each non-compliant well, up to the face amount of the bond, would be reasonable and just compensation for such failure to comply, and Surety hereby promises to pay and the Railroad Commission of Texas agrees to accept, at its office in Austin, Travis County, Texas such sum as liquidated damages, and not as a penalty, in the event of such failure to comply.

(over)

3. Except as provided by Paragraph 2(b) above, if the Commission has expended State Funds to plug any well, to close any other operation or activity, to control, abate and clean up pollution or take any other action to prevent further escape of formation fluids, the Surety shall reimburse the Commission for the amounts of State Funds so expended up to the face amount of the bond.

Sums demanded under this bond shall be paid to the Railroad Commission at Austin, Texas, within thirty days after receipt of written demand therefor, which demand shall be mailed by registered or certified U.S. mail to the address shown below.

Conditions and obligations under this bond are construed in accordance with state law and all permits, rules, and orders of the Commission, including any amendments thereto that may be made during the term of this bond, and Surety waives notice of any amendments. The State of Texas shall have the right to sue on and otherwise enforce the obligations of this bond without first resorting to or exhausting its remedies against the properties and assets of the Principal.

This bond is effective beginning 150 days after the Principal's P-5 effective date stated in Box 5. If the Principal is filing this bond for the first time, then the bond is effective on the Principal's P-5 effective date for the first year; thereafter, it will be effective 150 days after the P-5 effective date.

The term of this bond shall expire \_\_\_\_\_, 20\_\_\_\_\_ (date must be 150 days after one of the Principal's annual P-5 expiration dates) and is renewable. Written notice of renewal shall be given by the Surety to the Commission on or before the Principal's last P-5 filing date prior to the expiration of this bond. Obligations to pay part or all of the bond amount are deemed released upon the expiration date of the bond unless the Commission has made a claim on the bond or an enforcement action against any operations or activities subject to the bond is pending. Principal and Surety may also be relieved of their obligations to pay to the State part or all of the bond amount by written agreement between the Railroad Commission of Texas, Principal, and Surety.

If the bond amount is not paid in accordance with the terms of this bond and if judgment for any part of the bond amount is awarded through action of the Attorney General in bankruptcy, probate, or any other court proceeding, then the State shall be entitled to court costs and reasonable attorney's fees awarded by the court. Surety's liability for such costs and fees shall not be limited by the penal amount of this bond. It is agreed and understood that this bond is executed and performable in Austin, Travis County, Texas, and venue for any cause of action construing this bond is proper in Austin, Travis County, Texas.

A transfer, by any means, of any well covered under this bond does not relieve the Surety of any obligation under this bond until the operator acquiring the well has on file with the Commission an approved form of financial security covering the well. The transferred well remains covered by this bond and the Principal and Surety remain responsible for compliance with all laws and Commission rules covering the transferred well until the Commission determines that the well is covered by proper financial security and the acquiring operator has assumed full responsibility for the well in accordance with all state laws, including §91.107, Texas Natural Resources Code and Commission rules.

IN TESTIMONY WHEREOF, said PRINCIPAL has hereunto subscribed his or her name or has caused this instrument to be signed by its duly authorized officers and its corporate seal to be affixed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

IN TESTIMONY WHEREOF, said SURETY has caused this instrument to be signed by its duly authorized officers and its corporate seal to be affixed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
PRINCIPAL

(seal)

By \_\_\_\_\_  
NAME & TITLE

\_\_\_\_\_  
SURETY (ATTACH POWER OF ATTORNEY)

(seal)

By \_\_\_\_\_  
NAME & TITLE

\_\_\_\_\_  
SURETY'S FULL MAILING ADDRESS

\_\_\_\_\_  
SURETY'S PHYSICAL ADDRESS



TO: RAILROAD COMMISSION OF TEXAS  
 Attention: Oil & Gas Division  
 Permitting/Production, P-5 Financial Assurance Section  
 P.O. Box 12967  
 Austin, TX 78711-2967

Bond # \_\_\_\_\_

**BLANKET PERFORMANCE BOND**

**P-5PB(2)**  
 rev. 6/2002

THE STATE OF TEXAS, COUNTY OF \_\_\_\_\_

WHEREAS, persons performing oil and gas operations within the jurisdiction of the Railroad Commission of Texas are required to execute and file with the Commission a bond covering those operations, pursuant to §91.103 and §91.104 of the Texas Natural Resources Code;

WHEREAS, the Principal named below is the operator of certain Commission-regulated operations including but not limited to (1) operations listed on the Commission's P-5 Organization Report records, and/or (2) wells listed on the Commission's Oil and Gas Proration Schedules, and any additional wells that may be obtained prior to the expiration of this bond and carried on the Oil and Gas Proration Schedules;

WHEREAS, the Commission's P-5 Organization Report records and the Oil and Gas Proration Schedules pertaining to the Principal are incorporated herein by reference as if fully set forth at length;

WHEREAS, the Principal desires to perform oil and gas operations and activities within the jurisdiction of the Commission, and which operations and activities must be carried on in full conformance with all state laws and Commission rules, including those laws and Commission rules, orders, and permits requiring operators to plug and abandon all wells and control, abate, and clean up pollution associated with an operator's oil and gas operations and activities;

WHEREAS, Principal acknowledges and agrees that, due to amendments to the Texas Natural Resources Code, amendments to Commission Rules, and/or changes to the Principal's Commission-regulated operations, including without limitation the acquisition of additional wells, it may be required during the effective term of this bond to provide additional financial security beyond the face amount of this bond before its P-5 Organization Report will be accepted and approved.

1. Organization Name, exactly as shown on P-5 Organization Report.	2. P-5 Number, if assigned.	3. Total # of operator's wells.
4. Other Commission-regulated operations. See bond instruction sheet, Paragraph F. [Check appropriate operations; example: operating a pipeline = 1.]  (A) _____ (B) _____ (C) _____ (D) _____ (E) _____ (F) _____  (G) _____ (H) _____ (I) _____ (J) _____ (K) _____ (L) _____	5. Other operations not included in (A)-(L).	6. Effective Date of P-5 Renewal for which bond is being submitted. (Leave blank if this is the initial bond filing.)

We, \_\_\_\_\_ (person's name) as Principal, and \_\_\_\_\_ as Surety, duly authorized and qualified to do business in the State of Texas, are held and firmly bound unto the State of Texas in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) payable at Austin, Travis County, Texas, and for the payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

This bond is conditioned that if the Principal will plug and abandon all wells and control, abate, and clean up pollution associated with its oil and gas operations and activities in accordance with state law and all permits, rules and orders of the Commission, and is in full compliance with the following requirements, then the Principal and Surety are relieved of their obligation to pay the bond amount to the State:

1. Inactive wells shall be maintained in compliance with Commission Statewide Rule 14 (a) by plugging the wells, (b) by restoring the wells to beneficial use, or (c) so as to prevent the pollution of any ground or surface water in the state or any uncontrolled escape of formation fluids from the strata in which they were originally located.
2. All active wells shall be maintained so as to prevent the pollution of any ground or surface water in the state or any uncontrolled escape of formation fluids from the strata in which they were originally located.
3. All oil and gas operations and activities shall be carried out so as to prevent pollution of any ground or surface water in the state.

In the event of a failure of Principal to comply with the conditions and obligations of this bond, the Surety shall promptly remedy such non-compliance, in accordance with the laws of the state and permits, rules, and orders of the Commission, within 60 days of notice of non-compliance.

1. If any well or other oil and gas operation or activity subject to this bond is likely to pollute or is polluting any ground or surface water or allowing uncontrolled escape of formation fluids from the strata in which they were originally located, the Surety shall expend funds up to the face amount of the bond to control, abate and clean up pollution and to prevent further escape of formation fluids.
2. If any well or other oil and gas operation or activity subject to this bond is not polluting any ground or surface water or allowing uncontrolled escape of formation fluids from the strata in which they were originally located, but the Principal has failed to maintain current operator status as reflected on the Commission's P-5 Organization Report records, the Surety shall:
  - (a) Expend funds up to the face amount of the bond to properly plug the well or close any other operation or activity (Surety understands and agrees that plugging or closing operations must be completed once commenced without the expenditure of State Funds, including State Oil-Field Cleanup funds); or
  - (b) Pay liquidated damages. It is agreed by the parties that the actual damages which might be sustained by the Railroad Commission of Texas by reason of the failure to comply are uncertain and would be difficult of ascertainment, and it is further agreed that the sum of \$2.50 per foot multiplied by the total depth of each non-compliant well, up to the face amount of the bond, would be reasonable and just compensation for such failure to comply, and Surety hereby promises to pay and the Railroad Commission of Texas agrees to accept, at its office in Austin, Travis County, Texas such sum as liquidated damages, and not as a penalty, in the event of such failure to comply.

(over)

3. Except as provided by Paragraph 2(b) above, if the Commission has expended State Funds to plug any well, to close any other operation or activity, to control, abate and clean up pollution or take any other action to prevent further escape of formation fluids, the Surety shall reimburse the Commission for the amounts of State Funds so expended up to the face amount of the bond.

Sums demanded under this bond shall be paid to the Railroad Commission at Austin, Texas, within thirty days after receipt of written demand therefor, which demand shall be mailed by registered or certified U.S. mail to the address shown below.

Conditions and obligations under this bond are construed in accordance with state law and all permits, rules, and orders of the Commission, including any amendments thereto that may be made during the term of this bond, and Surety waives notice of any amendments. The State of Texas shall have the right to sue on and otherwise enforce the obligations of this bond without first resorting to or exhausting its remedies against the properties and assets of the Principal.

This bond is effective beginning 150 days after the Principal's P-5 effective date stated in Box 6. If the Principal is filing this bond for the first time, then the bond is effective on the Principal's P-5 effective date for the first year; thereafter, it will be effective 150 days after the P-5 effective date.

The term of this bond shall expire \_\_\_\_\_, 20\_\_\_\_ (date must be 150 days after one of the Principal's annual P-5 expiration dates) and is renewable. Written notice of renewal shall be given by the Surety to the Commission on or before the Principal's last P-5 filing date prior to the expiration of this bond. Obligations to pay part or all of the bond amount are deemed released upon the expiration date of the bond unless the Commission has made a claim on the bond or an enforcement action against any operations or activities subject to the bond is pending. Principal and Surety may also be relieved of their obligations to pay part or all of the bond amount by written agreement between the Railroad Commission of Texas, Principal, and Surety.

If the bond amount is not paid in accordance with the terms of this bond and if judgment for any part of the bond amount is awarded through action of the Attorney General in bankruptcy, probate, or any other court proceeding, then the State shall be entitled to court costs and reasonable attorney's fees awarded by the court. Surety's liability for such costs and fees shall not be limited by the amount of this bond. It is agreed and understood that this bond is executed and performable in Austin, Travis County, Texas, and venue for any cause of action construing this bond is proper in Austin, Travis County, Texas.

A transfer, by any means, of any well covered under this bond does not relieve the Surety of any obligation under this bond until the operator acquiring the well has on file with the Commission an approved form of financial security covering the well. The transferred well remains covered by this bond and the Principal and Surety remain responsible for compliance with all laws and Commission rules covering the transferred well until the Commission determines that the well is covered by proper financial security and the acquiring operator has assumed full responsibility for the well in accordance with all state laws, including §91.107, Texas Natural Resources Code and Commission rules.

IN TESTIMONY WHEREOF, said PRINCIPAL has hereunto subscribed his or her name or has caused this instrument to be signed by its duly authorized officers and its corporate seal to be affixed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

IN TESTIMONY WHEREOF, said SURETY has caused this instrument to be signed by its duly authorized officers and its corporate seal to be affixed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
PRINCIPAL

(seal)

By \_\_\_\_\_

NAME & TITLE

\_\_\_\_\_  
SURETY (ATTACH POWER OF ATTORNEY)

(seal)

By \_\_\_\_\_

NAME & TITLE

\_\_\_\_\_  
SURETY'S FULL MAILING ADDRESS

\_\_\_\_\_  
SURETY'S PHYSICAL ADDRESS

TO: RAILROAD COMMISSION OF TEXAS  
 Attention: Oil & Gas Division  
 Permitting/Production, P-5 Financial Assurance Section  
 P.O. Box 12967  
 Austin, TX 78711-2967

**P-5LC**  
 rev. 1/2008

**IRREVOCABLE DOCUMENTARY  
 BLANKET LETTER OF CREDIT**

We hereby establish our Irrevocable Documentary Blanket Letter of Credit in favor of the Railroad Commission of Texas, Austin, Texas for the account of \_\_\_\_\_ (operator's name), for the aggregate amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) available by your drafts at sight on the bank when drawn in accordance with the terms and accompanied by the documents listed below:

A. This Blanket Letter of Credit is issued in connection with the filing of a P-5 Organization Report (P-5) with the Commission as required by §91.142, Texas Natural Resources Code (TNRC) in order to perform operations within the jurisdiction of the Railroad Commission of Texas, including but not limited to (1) operations listed in the Commission's P-5 Organization Report records (P-5 records) for the operator, and/or (2) wells listed on the Commission's Oil and Gas Proration Schedules (Schedules), and any additional wells that may be obtained prior to the expiration of this Blanket Letter of Credit and carried on the Oil and Gas Proration Schedules. Said P-5 records and Schedules are incorporated herein by reference as if fully set forth at length.

1. Organization Name, exactly as shown on Form P-5 Organization Report.	2. P-5 Number, if assigned.	3. Total # of operator's wells:	Total aggregate depth of all wells:
4. Other Commission-regulated operations. See bond instruction sheet, Paragraph F. [Check appropriate operations; example: operating a pipeline= I ] (A) ___ (B) ___ (C) ___ (D) ___ (E) ___ (F) ___ (G) ___ (H) ___ (I) ___ (J) ___ (K) ___ (L) ___		Other operations not included in (A)-(L).	

B. The operator and the issuer of this Blanket Letter of Credit acknowledge and agree that, due to amendments to the Texas Natural Resources Code, amendments to Commission Rules, and/or changes to the operator's Commission-regulated operations, including without limitation the acquisition of additional wells, operator may be required during the effective term of this Blanket Letter of Credit to provide additional financial security beyond the face amount of this Blanket Letter of Credit before its P-5 Organization Report will be accepted and approved.

C. This Blanket Letter of Credit is specifically issued at the request of the operator as guaranty that this fund will be available during the time that the operator is performing Commission-regulated operations. We are not a party to, nor bound by, the terms of any agreement between you and the operator out of which this Blanket Letter of Credit may arise.

D. Drafts drawn under this Blanket Letter of Credit must be accompanied by an affidavit from the Railroad Commission of Texas or an authorized representative, stating that:

1. a well or other oil and gas operation or activity subject to this Letter of Credit is likely to pollute or is polluting any ground or surface water or is allowing uncontrolled escape of formation fluids from the strata in which they were originally located; or
2. a well or other oil and gas operation or activity subject to this Letter of Credit is not being maintained in compliance with Commission rules or state law relating to plugging or the prevention or control of pollution; or
3. a well or other oil and gas operation or activity subject to this Letter of Credit is not polluting any ground or surface water or allowing uncontrolled escape of formation fluids from the strata in which they were originally located, but the operator has failed to maintain current operator status as reflected on the Commission's P-5 records;

AND

4. the draft is in the estimated cost of plugging each well (an amount otherwise impossible to determine as to the exact amount but which is estimated by multiplying the total depth by \$2.50 per foot), closing any other operation or activity or controlling, abating, or cleaning up pollution.

We will be entitled to rely upon the statements contained in the affidavit and will have no obligation to independently verify any statements contained therein.

(over)

Each draft hereunder must be endorsed on the reverse side of this Blanket Letter of Credit, and this Blanket Letter of Credit must be attached to the last draft when the credit has been exhausted. Drafts may be presented at the office of this bank no later than 2:00 p.m. (local time) on \_\_\_\_\_, 20 \_\_\_\_ (date must be 90 days after the operator's P-5 expiration date), and bear the clause "Drawn under the \_\_\_\_\_ (Bank name), Bank Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_"

We hereby engage with the bona fide holders of this draft and/or documents presented under and in compliance with the terms of this Blanket Letter of Credit that such draft and/or documents will be duly honored upon presentation to us.

Our obligations hereunder shall not be subject to any claim or defense by reason of the invalidity, illegality, or unenforceability of any of the agreements upon which this Blanket Letter of Credit is based. This Documentary Blanket Letter of Credit is subject to the "Uniform Customs and Practice for Documentary Credits" (2007 Revision) fixed by the International Chamber of Commerce (Publication #600), when not in conflict with the express terms hereof or with the provisions of Article Five of the Texas Business and Commerce Code.

Bank Name: \_\_\_\_\_

By: \_\_\_\_\_

(Name): \_\_\_\_\_

(Title): \_\_\_\_\_ ( )  
Tel: Area Code Number

(seal)

ATTEST:

Address of Bank:

\_\_\_\_\_  
Assistant Cashier or Cashier

\_\_\_\_\_  
Date: month day year

## Cash Deposit (Cashier's Check Only)

1. Can be filed under either Financial Security Option 1 or Option 2
2. Cash deposits are automatically renewed once an operator submits their Form P-5 renewal packet and filing fee
3. No fee required to renew cash deposit annually
4. Interest earned on cash deposits is allocated to the Oil and Gas Cleanup Fund (See [TNRC §81.067](#))



## Form W-3C Instructions:

File Form W-3C as required by Oil & Gas Statewide Rule 15 (16 Tex. Admin. Code §3.15) to certify that an operator has fulfilled the requirements related to surface equipment removal for an inactive well. A person with personal knowledge of the physical condition of the inactive well must state the following:

- A. for wells that have been inactive for 12 months or longer, that the operator has physically terminated electric service to the well's production site;
- B. if the operator does not own the surface of the land where the well is located, and the well has been inactive for at least five years but for less than 10 years as of the date of renewal of the operator's organization report, that the operator has emptied or purged of production fluids all piping, tanks, vessels, and equipment associated with and exclusive to the well;
- C. if the operator does not own the surface of the land where the well is located, and the well has been inactive for at least 10 years as of the date of renewal of the operator's organization report, that the operator has removed all surface equipment and related piping, tanks, tank batteries, pump jacks, headers, fences, and firewalls; has closed all open pits; and has removed all junk and trash, as defined by Commission rule, associated with and exclusive to the well.

All items on this form should be typed or clearly printed in blue or black ink.

### Detailed Item Instructions:

#### Items 4 through 10:

If you are filing Form W-3C for a single well, then enter all information for Items 4 through 10. Item 11 should be left blank when filing for a single well.

If you wish to certify multiple wells on a single filing, then please prepare the listing of wells to be attached as shown below. Items 4 through 10 should be left blank; the number of wells and the number of pages for the attached listing should be entered in Item 11.

#### Item 11: Attached Listing.

If you prefer to attach a listing showing the wells to which the certification applies, then the listing must conform to the following requirements

- A. The listing should be clearly typed or printed in blue or black ink and should be double-spaced.
- B. The listing should identify wells by API Number, RRC District, Oil Lease/Gas ID Number, Well Number, and County.
- C. Each page of the listing should indicate that it is "Page \_\_\_\_ of \_\_\_\_" where the first blank indicates the page number, and the second blank should show the total number of pages.
- D. The person making the certification should personally initial each page of the listing in the bottom right corner.

#### Physical termination of electric service to the well's production site:

Disconnection of the electric service to an inactive well site at a point on the electric service lines most distant from the production site toward the main supply line in a manner that will not interfere with electrical supply to adjacent operations, including cathodic protection units.

#### Temporary exemption to requirement:

An operator may be eligible for a temporary exception to the surface equipment removal requirements if the operator is unable to comply with the requirements because of safety concerns or required maintenance of the well site. THE OPERATOR MUST INCLUDE A WRITTEN AFFIRMATION OF THE FACTS REGARDING THE SAFETY CONCERNS OR MAINTENANCE. Pursuant to Tex. Nat. Res. Code §81.0521, a \$150 non-refundable fee is required for each exception to a Commission rule.

**Special Notice Regarding Surface Equipment Removal for wells identified as inactive for 10 years or longer as of September 1, 2010:**

With respect to the surface equipment removal requirement for 10-year inactive wells in an operator's inventory as of September 1, 2010, the requirement is phased in over the next five years. This will require an operator to remove the surface equipment for 20% of its 10-year inactive wells as of September 1, 2010, in each year until all of the 10-year inactive wells in an operator's inventory have been addressed. The population of all 10-year inactive wells in Texas as of September 1, 2010, has been identified by the Commission and will be posted on the Commission's website. Wells that become 10-year inactive wells after September 1, 2010, or that are acquired by a new operator after September 1, 2010 are not subject to the 5-year phase in period. In the case of acquired wells, an operator must bring those wells into compliance within 6 months after the Commission recognizes the new operator of the well. For wells becoming 10-years inactive after September 1, 2010, the operator must bring the wells into compliance prior to the time the operator's annual organization report is required to be filed.



## APPLICATION FOR AN EXTENSION OF DEADLINE FOR PLUGGING AN INACTIVE WELL

READ INSTRUCTIONS ON BACK

1. OPERATOR NAME exactly as shown on Form P-5, Organization Report	2. OPERATOR ADDRESS including city, state and zip code
3. OPERATOR P-5 NO.	

- If you are applying for a blanket plugging extension for all inactive land wells operated by this entity:

Blanket Extension Options (See Instructions)	
<input type="checkbox"/> A	The filing operator has plugged or restored to active status 10% of the number of inactive land wells operated at the time of the last annual renewal of the operator's organization report;
<input type="checkbox"/> B	The filing operator is a publicly traded entity and has filed with the Commission documentation naming the operator as "debtor" and the Railroad Commission of Texas as the "secured creditor" and specifies the funds covered by the documents in the amount of the cost calculation for plugging all inactive wells.
<input type="checkbox"/> C	The filing operator has submitted additional financial security covering the amount of the cost calculation for plugging all inactive wells or \$2 million, whichever is less.

OR

- If you are applying for a plugging extension for a single well:

4. LEASE NAME as shown on Proration Schedule			5. FIELD NAME as shown on Proration Schedule	
6. API NUMBER	4. RRC DISTRICT NO.	8. OIL LEASE / GAS ID NO.	9. WELL NO.	10. COUNTY
<b>42-</b>				

Individual Well Extension Options (See Instructions)	
<input type="checkbox"/> D	The well identified above is covered by an abeyance of plugging report and the operator has paid the required filing fee of \$100. (Please attach the abeyance of plugging report.)
<input type="checkbox"/> E	The well identified above is part of a Commission-approved EOR Project.
<input type="checkbox"/> F	The well identified above is not otherwise required by Commission rule or order to conduct a fluid level or hydraulic pressure test of the well, and the operator has conducted a successful fluid level or hydraulic pressure test of the well and has paid the required filing fee of \$50. (The test results must be filed with the Railroad Commission on Form H-15.)
<input type="checkbox"/> G	The operator has filed additional financial security in the amount of the cost calculation for plugging the well identified above.
<input type="checkbox"/> H	The operator has filed an escrow fund deposit in an amount at least equal to 10% of the cost calculation for plugging the well identified above.

CERTIFICATION: I certify under penalties prescribed by the Texas Natural Resources Code and the Texas Penal Code that, to the best of my knowledge, the information given in this application is true, complete, and correct.

<div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div>	<div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div>
Signature	Name (print or type)
Title	Date <span style="margin-left: 100px;">Phone No.</span>
Contact Person and Phone Number if different from above: <div style="border-bottom: 1px solid black; width: 100%;"></div>	

## Form W-3X Instructions:

File Form W-3X as required by Oil & Gas Statewide Rule 15 (16 Tex. Admin. Code §3.15) to apply for an extension to the deadline to plug an inactive well. All items on this form should be typed or clearly printed in blue or black ink.

### Blanket Application for Extensions:

- 1) If you are filing Form W-3X to request blanket plugging extensions for all wells that you operate:
- 2) Complete items 1 through 3;
- 3) Indicate the applicable blanket extension option;
- 4) Attach any necessary supporting documentation (see below); and
- 5) Sign and date the Form W-3X.

### Under Statewide Rule 15(f)(2)(B), blanket plugging extensions require that you file with the Commission one of the following:

- 1) for all inactive land wells that an operator has operated for more than 12 months, documentation that the operator has plugged or restored to active operation, as defined by Commission rule, 10% of the number of inactive land wells operated at the time of the last annual renewal of the operator's Organization Report (Form P-5);
- 2) if the operator is a publicly traded entity, for all inactive land wells, the operator has filed with the Commission a copy of the operator's federal documents filed to comply with Financial Accounting Standards Board Statement No. 143, Accounting for Asset Retirement Obligations, and an original executed Uniform Commercial Code Form 1 Financing Statement, filed with the Secretary of State, that names the operator as the "debtor" and the Railroad Commission of Texas as the "secured creditor" and specifies the funds covered by the documents in the amount of the cost calculation for plugging all inactive wells; or
- 3) the filing of a blanket bond on Commission Form P-5PB(2), Blanket Performance Bond, a letter of credit on Commission Form P-5LC, Irrevocable Documentary Blanket Letter of Credit, or a cash deposit, in the amount of either the lesser of the cost calculation for plugging all inactive wells or \$2 million

### Individual Well Application for Extension:

If you are filing Form W-3X to request a plugging extension for a single well that you operate:

- 1) Complete items 1 through 10;
- 2) Indicate the applicable individual well extension option;
- 3) Attach any necessary supporting documentation (see below); and
- 4) Sign and date the Form W-3X

### Under Statewide Rule 15(f)(2)(B), individual well plugging extensions require that you document one of the following:

- 1) For each inactive land well identified in the application, the operator has paid the required filing fee, and the Commission or its delegate has approved an abeyance of plugging report which includes the following certification under the seal of the certifying professional engineer or professional geoscientist: "I hereby certify, that I am a currently licensed professional engineer or professional geoscientist and based on my personal knowledge of the inactive well identified in this report, the well has a future utility based on both 1) a reasonable expectation of economic value in excess of the cost of plugging the well during the period covered by this report; and 2) a reasonable expectation that the well will ultimately be restored to a beneficial use that will prevent waste of oil or gas resources that otherwise would not be produced if the well is plugged. I further certify that I have reviewed the documentation demonstrating the basis for the affirmation of the well's future utility attached to this application.;
- 2) for each inactive land well identified in the application, the operator has filed a statement that the well is part of a Commission-approved EOR project;

- 3) for each inactive land well identified in the application that is not otherwise required by Commission rule or order to conduct a fluid level or hydraulic pressure test of the well, the operator has conducted a successful fluid level test or hydraulic pressure test of the well and the operator has paid the required filing fee;
- 4) for each inactive land well identified in the application, the Commission or its delegate has approved a supplemental bond, letter of credit, or cash deposit in an amount at least equal to the cost calculation for plugging an inactive land well for each well specified in the application; or
- 5) for each time an operator files an application for a plugging extension and for each inactive land well identified in the application, the Commission or its delegate has approved an escrow fund deposit in an amount at least equal to 10% of the total cost calculation for plugging an inactive land well.

**Cost Calculation for Plugging an Inactive Well:**

The cost calculation pursuant to Statewide Rule 15 is the cost, calculated by the Commission or its delegate, for each foot of well depth plugged based on average actual plugging costs for wells plugged by the Commission for the preceding state fiscal year for the Commission Oil and Gas Division district in which the inactive well is located.