

STATE OF WEST VIRGINIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OFFICE OF OIL AND GAS

IRREVOCABLE LETTER OF CREDIT BONDING COMMITMENT

FROM: _____

_____ (the "Operator")

TO: Chief, Office of Oil and Gas
Department of Environmental Protection
State of West Virginia,
or the Authorized Representative Thereof (the "Chief")

RE: Letter of Credit Bonding Commitment:

- For \$5000 Single Well Bond Under §22-6
Operator's Well Number _____
API Well Number 47 - _____ - _____

- For \$50,000 Single Well Bond Under §22-6A
Operator's Well Number _____
API Well Number 47 - _____ - _____

- For all (Blanket) Well Work Activities and/or
Operations Covered by **West Virginia Code 22-6-26**

- For all (Blanket) Well Work Activities and/or
Operations Covered by **West Virginia Code 22-6A-15**

LETTER OF CREDIT NUMBER _____

EFFECTIVE DATE: _____

Dear Chief:

Pursuant to West Virginia Code 22-6 and 22-6A et seq., the undersigned Operator (the "Operator") has made or intends to make application to the Chief for a well work permit(s), or intends to become transferee operator of (a) well(s), or intends to replace an existing bond(s) with a Letter of Credit as provided by West Virginia Code 22-6-26 and 22-6A-15.

The Operator understands that in order to obtain issuance of any permit for well work, or to become lawful transferee of any well, the Operator must first provide performance bonding pursuant to West Virginia Code 22-6-26 and 22-6A-15. Accordingly, the purpose of this Letter of Credit Bonding Commitment is to provide letter of credit collateral bonding in a form acceptable to the Chief.

The Operator states and agrees as follows:

1. Attached hereto is an Irrevocable Letter of Credit (the "Letter of Credit") executed on Form OP-8B-LC which has been issued by a bank or banking institution within the definition of West Virginia Code 31A-1-2(b) or otherwise authorized under the law to engage in banking transactions in West Virginia (the "Bank").

2. The Letter of Credit has a specific expiration date which coincides with the end of a calendar quarter (the "Expiration Date"). As provided under the terms of the Letter of Credit, the Expiration Date may hereafter be extended, either automatically from year to year, or from time to time by written notice from the Bank to the Chief in the form of Exhibit 1 attached to the Letter of Credit [Form OP-8B-LC] specifying the date to which the Letter of Credit is to be extended.

3. **The Operator shall be solely responsible for insuring that any notice(s) which are necessary in order to extend the Expiration Date are received by the Chief at least thirty days prior to the last specified Expiration Date;** and, the Operator shall be solely responsible for insuring that any notice(s) which are necessary in order to notify the Chief that the Bank has elected not to extend an automatically renewable Letter of Credit are received by the Chief at least 60 days prior to the last specified Expiration Date.

4. In the event of a Default as defined in paragraph 6 below, the Operator understands that the Chief will immediately attempt to notify the Operator by Certified Mail of such Default and of the Chief's intention to submit the sight draft under the Letter of Credit to the Bank for payment. The Operator further understands and agrees that regardless of whether or not the Operator is provided such notice, the Chief may submit the sight draft under the Letter of Credit to the Bank for payment following a Default unless alternative arrangements satisfactory to the Chief which eliminate the grounds of the Default are made by the Operator within twenty days following the occurrence of the Default.

5. In the event of a Default and the collection by the Chief of funds under the Letter of Credit, the Operator acknowledges and agrees that such funds may be applied by the Chief in the manner and for the purposes described in paragraph 7 below.

6. "Default", as used herein shall mean either of the following events:

(a) Default for Failure to Extend: Failure by the Operator to exercise the option of replacing the Letter of Credit as provided by West Virginia Code 22-6-26 or 22-6A-15 and failure by the Bank to notify the Chief that the Letter of Credit shall be extended for an additional term at least thirty days prior to the then applicable Expiration Date; or failure by the Bank to notify the Chief that the Bank has elected not to extend an automatically renewable Letter of Credit at least 60 days prior to the then applicable Expiration Date; or

(b) Default By the Operator For Failure to Comply with Applicable Laws, Rules and Regulations.

7. In the event of a Default, the Chief is authorized to draw on the Bank the amount of \$5,000, \$50,000 or \$250,000 (check one) upon the Chief's presentation of the draft in the form set forth in Exhibit "2", attached to the applicable Irrevocable Letter of Credit, as follows:

(a) In the event of a Default For Failure to Extend, and for no other reason, the Chief shall apply the funds received under the Letter of Credit to serve as cash collateral bonding pursuant to West Virginia Code 22-6-26(d) and 22-6-26(e) or 22-6A-15(d) and 22-6A-15(e). In the event of any such conversion to cash collateral bonding, the funds shall be invested in the West Virginia Consolidated Investment Fund and the interest thereon shall be paid in accordance with the "Request to Invest" form attached hereto and incorporated herein as Appendix A.

(b) In the event of a Default Constituting Bond Forfeiture For Failure to Comply with Applicable Laws, Rules and Regulations, **the Chief shall proceed with, and the Bank shall comply with, the forfeiture provisions set forth by West Virginia Code 22-6-26 or 22-6A-15. The funds received shall be deposited into the oil and gas reclamation fund and the operator must post a replacement bond.**

8. This Letter of Credit Bonding Commitment shall continue in full force and effect until and shall terminate when the Operator has obtained bond release from the Chief or, in accordance with West Virginia Code 22-6-26 or 22-6A-15 and in a form acceptable to the Chief, has substituted for this Letter of Credit Bonding Commitment and Letter of Credit (i) corporate surety bonding, (ii) cash collateral bonding, or (iii) alternative letter of credit collateral bonding.

IN WITNESS WHEREOF, the Operator, on behalf of itself, its successors, agents and assigns, hereby executes this Letter of Credit Bonding Commitment.

OPERATOR:

(Type or Print)

BY: _____
(Signature)

ITS: _____
(Title)

DATE: _____

(Corporate Seal)

FEIN: _____

Approved this _____ day of _____, 20____, as to sufficiency of form and manner of execution.

By: _____

Attorney General

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TO LETTER OF CREDIT BONDING COMMITMENT

In the event funds are collected by the Chief under the Letter of Credit pursuant to the Letter of Credit Bonding Commitment, the Chief may convert those funds to cash collateral bonding as provided for in West Virginia Code 22-6-26 and/or 22-6A-15 and may invest such funds in the West Virginia Consolidated Investment Fund (the "Fund"), with the interest thereon payable annually in January to the Operator or its designee as specified below:

Operator must choose one of the following options:

Check made payable to:

Operator _____
Address _____

OR;

Wire transfer to bank (complete all information below):

Bank Name _____
Bank ABA Number _____
Name on Bank Account _____
Bank Account Number _____

The principal amount placed in the Fund shall be subject to the Treasurer of State's rules, regulations and applicable fees and shall be distributed back to the Operator at such time when bond release has been obtained from the Chief or upon the substitution of alternative bonding acceptable to the Chief.

Operator _____

By: _____
(Signature)

Its: _____
(Typed Name and Title)

Date: _____

Fein: _____

Oil and Gas Privacy Notice

The Office of Oil and Gas processes your personal information, such as name, address and phone number, as a part of our regulatory duties. Your personal information may be disclosed to other State agencies or third parties in the normal course of business or as needed to comply with statutory or regulatory requirements, including Freedom of Information Act requests. Our office will appropriately secure your personal information. If you have any questions about our use of your personal information, please contact DEP's Chief Privacy Officer at depprivacyoffier@wv.gov.

IRREVOCABLE LETTER OF CREDIT

ISSUING BANK (the "Bank"):
Address:
BANK'S FEIN:

CUSTOMER (the "Operator"):
Address:

BENEFICIARY: The State of West Virginia, Through Its Representative, Chief, Office of Oil and Gas, Department of Environmental Protection, State of West Virginia or the Authorized Representative Thereof (the "Chief").

- AMOUNT: For \$5000 Single Well Bond Under West Virginia Code **§22-6**
Operator's Well Number _____
API Well Number 47 - _____ - _____
- For \$50,000 Single Well Bond Under West Virginia Code **§22-6A**
Operator's Well Number _____
API Well Number 47 - _____ - _____
- For all (Blanket) Well Work Activities and/or
Operations Covered by **West Virginia Code §22-6-26**
- For all (Blanket) Well Work Activities and/or
Operations Covered by **West Virginia Code §22-6A-15**

LETTER OF CREDIT EFFECTIVE DATE: _____

LETTER OF CREDIT EXPIRATION DATE: _____
(Must be no less than five-year increments)

(Must coincide with the end of a calendar quarter,
i.e., March 31, June 30, September 30, or December 31.)

IRREVOCABLE LETTER OF CREDIT NO: _____

The Bank, a bank or banking institution as defined in West Virginia Code Section 31A-1-2(b) or otherwise authorized under the law to engage in banking transactions in West Virginia hereby opens an Irrevocable Letter of Credit (the "Letter of Credit") in favor of the State of West Virginia for the account of the Operator. This Letter of Credit shall be effective from the Effective Date above unless the Expiration Date is extended as provided herein, in which case it shall expire on the expiration date as so extended.

At any time during regular business hours of the Bank from and after the Effective Date and continuing through the Expiration Date, the Chief is authorized to draw on the Bank an amount not **exceeding** **\$5,000**, **\$50,000** or **\$250,000** (check one) upon the Chief's presentation to the Bank of the draft in the form of Exhibit 2 attached hereto drawn on the Bank at sight and bearing the number of this Letter of Credit.

The Expiration Date of this Letter of Credit will be extended in the following manner:

() By written notice from the Bank provided in the form of Exhibit 1 hereto and received by the Chief at least thirty days prior to the Expiration Date stated above or the Expiration Date as last extended by previous written notice(s) hereunder.

OR;

() Automatic **five year period** for a total of up to additional **five-year periods** from and after the Expiration Date stated above, unless the Bank notifies the Chief in writing at least sixty days prior to the then current Expiration Date that the Bank has elected not to extend the Letter of Credit beyond such Expiration Date for such additional period.

The Bank will give prompt notice to the Operator and to the Chief of any notice received or action filed: (1) alleging the insolvency or bankruptcy of the Bank; or (2) alleging any violation of regulatory requirements which could result in suspension or revocation of the Bank's charter or license to do business.

Sworn to and executed by the Bank this _____ day of _____, 20_____.

Bank: _____

Raised Bank Seal

By: _____
(Signature)

Its: _____
President or Vice-President

State of West Virginia

County of _____ to wit:

Subscribed and sworn to before the undersigned authority by _____, as _____ of the _____ (Bank), this _____ day of _____, 20_____.

My Commission expires _____.

Notary Public

(Notary Seal)

Approved this _____ day of _____, 20_____, as to sufficiency of form and manner of execution.

By: _____
Attorney General

EXHIBIT 1
TO LETTER OF CREDIT

NOTICE TO EXTENSION OF THE EXPIRATION DATE
OF LETTER OF CREDIT NO. _____

TO: Chief, State of West Virginia
Office of Oil and Gas
Department of Environmental Protection

RE: Extension of the Expiration Date of the
Letter of Credit No. _____
API No. 47-____-_____ (if single letter of credit)
issued by the Undersigned Bank

Dear Chief:

This is to advise that the Expiration Date of the above referenced
Letter of Credit is hereby extended to the _____ day of
_____, 20____, (date must coincide with the end of a calendar
quarter **and must be extended in five year increments**), which shall be the
Expiration Date of the Letter of Credit for all purposes.

Very truly yours,

Bank Name: _____

FEIN: _____

RAISED BANK SEAL

By: _____
(President or Vice-President)

Approved this _____ day of _____, 20____, as to
sufficiency of form and manner of execution.

By: _____
Attorney General

Operator Name

Street/P. O. Box

City State Zip

**EXHIBIT 2
TO LETTER OF CREDIT**

SIGHT DRAFT

(Date)

(Place)

TO ISSUING BANK: _____

FOR VALUE RECEIVED

Pay to Demand to the Chief of the Office of Oil and Gas, Department of Environmental Protection, West Virginia Bureau of Environment \$_____ Dollars.

Charge to the Account of _____
(Customer/Operator)

Irrevocable Letter of Credit No. _____.

BENEFICIARY: The State of West Virginia

By: _____
Chief, Office of Oil and Gas
Department of Environmental Protection

Oil and Gas Privacy Notice

The Office of Oil and Gas processes your personal information, such as name, address and phone number, as a part of our regulatory duties. Your personal information may be disclosed to other State agencies or third parties in the normal course of business or as needed to comply with statutory or regulatory requirements, including Freedom of Information Act requests. Our office will appropriately secure your personal information. If you have any questions about our use of your personal information, please contact DEP's Chief Privacy Officer at depprivacyoffier@wv.gov.