pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
BUREAU OF OFFICE SERVICES
DIVISION OF CONTRACTS, PROCUREMENT AND BONDING

COLLATERAL BOND FOR OIL AND GAS WELLS

Purpose:

(a) Original Bond ☐ (b) Replacement Bond ☐ (c) Additional Bond ☐

WHEREAS, _____ ("Operator"), a
(Name of Well Operator)

(1) corporation, incorporated under the laws of the State of _____, or
(Name of State)

(2) a(n) _____,
(Limited / general partnership, individual, limited liability company)

with a place of business at _____
(Operator address and telephone number)

has filed with the Pennsylvania Department of Environmental Protection ("Department") applications for permits to drill and operate new oil and gas wells or to operate existing permitted or registered wells under the Act of December 19, 1984, No. 223, P.L. 1140, as amended, 58 P.S. § 601.101 *et seq.* (repealed) ("1984 Oil and Gas Act") and the Act of February 14, 2012, No. 13, P.L. 87, 58 Pa. C.S. §§ 2301-3503 ("2012 Oil and Gas Act"); and

WHEREAS, the Operator has chosen to file this Collateral Bond for Oil and Gas Wells ("Collateral Bond");

NOW THEREFORE, the Operator, in consideration of the issuance of the permits/registrations for the Covered Wells, as that term is defined in paragraph 2 of this Collateral Bond, is held and firmly bound unto the Commonwealth of Pennsylvania ("Commonwealth"), in the just and full sum of _____ Dollars ($ _____) to the payment whereof, well and truly to be made, and the Operator binds itself, its heirs, executors, administrators, assigns and successors, firmly by these presents:

1. ***Condition of the Obligation.*** If the Operator shall faithfully perform and conform to all of the applicable drilling, restoration, water supply replacement and plugging requirements of the following:

(a) the 1984 Oil and Gas Act and the 2012 Oil and Gas Act;

(b) all subsequent amendments to, additions to, and replacements of the 2012 Oil and Gas Act;

(c) all regulations promulgated, at any time, past or future, under the 1984 Oil and Gas Act or the 2012 Oil and Gas Act (or amendments thereto, additions thereto, or replacements thereof).

(d) the terms and conditions of the Operator's permit(s) for the Covered Wells, and all amendments or additions to the permit(s); and

(e) all Department orders issued relating to the Operator and its Covered Wells;

(the requirements described in (a) through (e), inclusive, immediately above, collectively called the "Law"), then this obligation shall be null and void; otherwise, this obligation shall remain in full force and effect.

2. ***Wells Covered by this Collateral Bond ("Covered Wells").*** This Collateral Bond assumes and covers any and all liability and obligations accrued and to be accrued on all wells listed on Exhibit A, under the Law, until such time as the Department shall release, in writing, such liability and obligations. The Operator expressly agrees that this Collateral Bond shall cover all additional wells in Pennsylvania for which the Operator obtains a Department well permit. The Operator agrees that such additional wells shall be deemed to be Covered Wells under this Collateral Bond and waives any rights of prior notice or objection to such addition of wells.

3. ***Amount and Duration of Bond Liability.*** Liability upon this Collateral Bond shall be for the amount specified herein. Liability under this Collateral Bond shall continue until the Covered Wells are properly plugged in accordance with the Law, and for a period of one (1) year after a Certificate of Plugging is filed with and approved by the Department for every well, unless released by the Department, in writing, prior thereto, as provided by the Law. It is hereby acknowledged and agreed that the liability under this Collateral Bond is a penal sum. As such, the Department retains a property interest in such collateral and any related agreements until release of such liability in writing as provided by the Law, notwithstanding the insolvency or other financial capacity of the Operator.

4. ***Description of Collateral.*** For the purpose of securing this obligation, the Operator hereby deposits the following collateral, in accordance with the provisions of the Law:

DESCRIPTION OF COLLATERAL

(a) Negotiable government securities

Name of Issue & Bond No.	Face Value	Market Value
	Sub Total:	

(b) Certificate(s) of deposit or irrevocable stand-by letter(s) of credit

Issuer	Certificate/Letter No.	Amount
	Sub Total:	

(c) Cash, Certified Check, Cashier's Check, Treasurer's Check. No interest shall be credited by the Commonwealth to the Operator on this collateral.

Issuer	Check No.	Amount
	Sub Total:	

Total Amount of Collateral _____
(Add (a), (b) and (c) immediately above)

5. ***Handling of Collateral by the Commonwealth.*** The Operator agrees that the Commonwealth retains a property interest in the collateral deposited pursuant to this Collateral Bond, for the term stated herein. The Department shall, upon receipt of deposits of collateral, immediately place the same with the State Treasurer of the Commonwealth, who shall receive and hold the same in the name of the Commonwealth for the purposes for which such deposits are made and in accordance with the terms of this Collateral Bond. When negotiable securities deposited mature or are called, the State Treasurer, at the request of the Operator, may convert such securities into other securities designated by the Operator and acceptable for deposit under the Law. The Operator hereby nominates the State Treasurer as its attorney-in-fact, for the purpose of endorsing and negotiating said securities or any part thereof and for the purpose of converting the collateral as described in this paragraph.

6. ***Default.*** Upon the happening of any default of the provisions, conditions and obligations assumed under this Collateral Bond and the declaration of a forfeiture by the Department, the Operator hereby authorizes and empowers the State Treasurer, as its attorney-in-fact, to liquidate said collateral and deposit the proceeds to the account of the Commonwealth. Any interest or income accruing to such collateral after the date of declaration of forfeiture shall be deemed property of the Commonwealth.

7. ***Events Not Affecting Operator Bond Liability.*** The Operator agrees that its liability hereunder shall not be impaired or affected by (1) any renewal or extension of the time for performance of any of the provisions, conditions or obligations upon which this Collateral Bond is based; or (2) any forbearance or delay in declaring this Collateral Bond to be forfeit or in enforcing payment on this Collateral Bond.

8. ***Remedies.*** Nothing herein shall limit or preclude the Department from seeking any remedy, in addition to the forfeiture of this Collateral Bond, which may be authorized or provided by the Law.

9. ***Replacement Bond.*** If this Collateral Bond is a replacement bond, this Collateral Bond assumes and covers any and all liability and obligations accrued and to be accrued under the Law. This Collateral Bond replaces the following existing bonds:

Date of Bond	Type of Bond (Surety or Collateral)	Name of Surety, Financial institution, or Govt. Issuer	Type of Collateral	Surety Bond No. / Collateral ID No.	Dollar Amount

10. ***Additional Bond***. The Department reserves the right to require additional bonding from the Operator as provided by the Law, which additional bonding shall be a supplement to and augment the bond liability provided herein.

11. ***Applicable Law.*** This Collateral Bond shall be governed by and interpreted and enforced in accordance with the laws of the Commonwealth and the decisions of the Pennsylvania courts. The Operator consents to the jurisdiction of any court of the Commonwealth and any federal courts in Pennsylvania, waiving any claim or defense that such forum is not convenient or proper. The Operator agrees that any such court shall have *in personam* jurisdiction over it and consents to service of process in any manner authorized by law.

12. ***Attachments.*** Exhibit A **must be attached.**

Check if applicable:

☐ Assignment of Certificate of Deposit

13. ***Headings.*** The paragraph headings herein are for descriptive purposes only and are intended to have no legal force or effect.

IN WITNESS WHEREOF, the Operator sets its hand and seal, intending to be legally bound hereby, this _____ day of _____, 20 _____.

OPERATOR:

_____
(Print or Type Operator Name)

By: _____
(Signature)

_____
(Print or Type Name and Title)

By: _____
(Signature)

_____
(Print or Type Name and Title)

Approved as to legality and form:

Pre-Approved OAG 9-11-12
Office of Attorney General

Pre-Approved OGC 8-30-12
Office of General Counsel

_____
Chief Counsel /Assistant Counsel
Department of Environmental Protection

Approved for the Department:

_____
Department representative

ACKNOWLEDGEMENT

COMMONWEALTH / STATE OF _____ :
SS
COUNTY OF _____ :

[Operator – please complete only A. or B. and this document must be notarized]

A. TO BE USED BY AN OPERATOR THAT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY, OR MUNICIPAL AUTHORITY

On _____, _____, [and
(Date) (Name)

_____], personally appeared before me, and identified
(Name)

(himself, and/or herself or themselves – **please CIRCLE what is accurate**) as the

_____ [and _____, respectively,]
(Title) (Title)

of _____,
(Name of Operator – must be identical to Operator identified in Bond)

each affiant stated that, in accordance with (1) (please **CIRCLE ONE AND ONLY ONE)** [the bylaws of the corporation or municipal authority] [the partnership agreement] [the Operating Agreement of the LLC or the LLP] and (2) any other documents applicable to authority to sign the attached Bond, the affiant was authorized to sign the attached Bond on behalf of the Operator.

B. **TO BE USED BY AN OPERATOR THAT IS AN INDIVIDUAL**

On _____, _____
(Date) (Name)

personally appeared before me, and acknowledged that he or she executed the attached Bond for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL) _____ My Commission Expires: _____
(Notary Public Signature) (Date)

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COLLATERAL BOND EXHIBIT A

TO BE FILLED IN BY OPERATOR

_____
Name of Operator

Farm Name & Well Number	Permit # / Registration #	Description of Coll./Surety (Example: CD #, LOC #, Surety Bond #)	Unconventional wells only	
			Bore hole length is less than 6000'	Bore hole length is equal to or greater than 6000'
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