

LEASE PERFORMANCE BOND SCHEDULE:

OIL AND GAS	
Amount of Bond	Maximum Acres
\$10,000	0-5,000
\$25,000	5,001-10,000
\$50,000	10,001-unlimited

Lessee has four options for the Oil and Gas Lease Performance Bond:

- 1) Provide a Surety Bond or
- 2) Provide an Irrevocable Letter of Credit or
- 3) Provide a Cash Bond or
- 4) Provide a Certificate of Deposit

The Michigan Department of Natural Resources must be provided with an **original**. Also, the lessee's name on the bond must read exactly as it would on their State leases. The appropriate amount must be determined using the chart above. See additional pages for more specific information about these options. For general bond questions, please contact Kim Venne at 517-335-3242. Mailing and physical addresses are listed below for your convenience.

Michigan Department of Natural Resources
Forest Management Division
PO Box 30452
Lansing, Michigan 48909-7952

or

Michigan Department of Natural Resources
Forest Management Division
530 West Allegan Street
Lansing, Michigan 48933



OIL AND GAS LEASE BOND

NO.

By Authority of Act 451, Public Acts of 1994, as amended

KNOW BY THESE PRESENTS: That _____, hereinafter referred to as Principal, and _____, as surety, are held and firmly bound unto the State of Michigan in the sum of \$_____, lawful money of the United States, for the payment of which will and truly be made we bind ourselves and each of us, our heirs, successors, executors, administrators, or assigns, jointly and severally, firmly by these presents.

Sealed with our seal and dated this _____ day of _____, _____.

WHEREAS, the above bounden Principal, as Lessee, has heretofore and may hereafter enter into oil and gas leases or become owner by assignment in leases upon oil and gas rights owned by the State of Michigan of various dates and periods of duration covering the lands described in said leases, not to exceed a total of _____ unlimited _____ acres, which leases have been, or may hereafter be approved by the Director of the Department of Natural Resources, State of Michigan, and the identification of which herein is expressly waived by both principal and surety hereto.

NOW, if the above bounden Principal shall faithfully carry out and observe all of the obligations assumed in said indentures of lease or assignments, to which said Principal is now or may hereafter become a party, and shall observe all of the laws of the State of Michigan, and rules and regulations made or which may be lawfully hereafter prescribed relative to oil and gas leases and the development thereof, and shall in all particulars comply with the provisions of said leases and rules, then this obligation shall be null and void; otherwise to remain in full force and effect.

WITNESS our hands the day and year first above written.

WITNESSES to Signature of Principal:

Lessee/Principal

WITNESSES to Signature of Surety:

Surety

Return executed Surety Bond form to:
Michigan Department of Natural Resources
Forest Management Division
PO Box 30452
Lansing, Michigan 48909-7952

the Michigan Department of Natural Resources

S A M P L E

FINANCIAL INSTITUTION LETTERHEAD and ORIGINAL DOCUMENT

No Photocopies are accepted

IRREVOCABLE STANDBY LETTER OF CREDIT # _____

Issue Date: _____

Expiration Date: _____

Program: _____ (example: Timber, Oil & Gas, Metallic Minerals, Non-Metallic Minerals or Underground Gas Storage)

Director, Department of Natural Resources
C/o Forest, Mineral and Fire Management
P.O. Box 30452
Lansing, Michigan 48909-7952

We hereby issue our Irrevocable Letter of Credit No. _____ in your favor on behalf of _____ located at _____, hereinafter known as the Company/Individual, for a sum of \$ _____, (_____ and no/100 dollars), available by your drafts at sight drawn on our institution, **(name and address of financial institution)** _____.

Drafts must be marked "Drawn under **(name of financial institution)** _____ Letter of Credit No. _____." We are a bank or financial institution which has the authority to issue Letters of Credit. Our Letter of Credit operations are regulated and examined by _____.

This letter of Credit is irrevocable and transferable without charge upon receipt of your written instructions.

This letter is issued to provide financial assurance to the State of Michigan and the Director of the DNR for the compliance of the above stated program pursuant to Act 451 of the Public Acts of 1994, as amended.

It is a condition of this Letter of Credit that it shall be automatically extended, without amendment, for one year from the present or any future expiration date, unless one hundred twenty (120) days before any expiration date, we notify the Company/Individual and the Director of the DNR by Certified Mail of our election not to consider this Letter of Credit renewed for any such additional period. We agree that the 120 day period shall begin on the date when both the Company/Individual and the Director have received the notice, as evidenced by the return receipts.

The Director or an authorized DNR representative may draw on this Letter of Credit in the event that; (1) the Company/Individual has failed to meet contractual obligations determined by the Department or; (2) the Company/Individual fails to provide the Director with an extension of this Letter of Credit or with an acceptable replacement Letter of Credit or other financial assurance not less that sixty (60) days prior to the expiration date of this Letter of Credit.

Partial drawings are permitted. This original Letter of Credit must be submitted to us together with any drawings hereunder for our endorsement of any payments effected by us and/or cancellation. Issuer agrees to replace this original Letter of Credit in the event that it is lost, stolen, mutilated or destroyed with one marked as a true copy or replacement.

This Letter of Credit is issued subject to the International Standby Practices 1998 (ISP 98) and the laws of the State of Michigan.

We engage with you that drafts drawn in conformity with the terms of this Letter of Credit will be duly honored upon timely presentation at this office.

Authorized Financial Institution Signature and Title

CERTIFICATES OF DEPOSIT

Please follow the below-listed specifications when securing or issuing a Certificate of Deposit in lieu of another type of bond for State of Michigan oil and gas leases:

1. CD must be made out to the Director of the Michigan Department of Natural Resources.
2. CD must be nontransferable (otherwise, only the Director or his authorized representative can sign).
3. CD must be nonnegotiable.
4. CD must contain the Federal ID Number of the Michigan Department of Natural Resources, 38-6000134.
5. CD must contain the purpose (i.e., LEASE PERFORMANCE BOND FOR STATE OF MICHIGAN OIL AND GAS LEASES).
6. It is understood that the CD is the property of the Director, Michigan Department of Natural Resources. Interest accrued should be added to the value of the CD at maturity or, may be transferred to an account of the payee.
7. The amount of the CD must be in accordance with the appropriate bond schedule.

For further questions on this matter you may contact Kim Venne at 517-335-3242.