



MICHIGAN DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY

Geologic Resources Management Division

Statement of Financial Responsibility

Pursuant to Part 625, Mineral Wells, Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. Falsification of this information may result in fines and/or imprisonment.

Origination

Applicant's Name and Address of Company:

Statement for Fiscal Year beginning:

- Initial Statement
Information Update

Instructions

Fill in Alternative A or Alternative B using amounts from the company's independently audited, year-end financial records for the latest completed fiscal year. Attach (1) a copy of an independent certified public accountant's report on examination of the company's financial statements for the latest completed fiscal year and (2) a special report, as specified in R 299.2330(2)(c), from the company's independent certified public accountant. Updated information is required to be filed within 90 days after the close of each succeeding fiscal year. See R 299.2330.

Alternative A [from R 299.2330(3)(a)]

Table with 4 columns: Line, Requirement, Value, Criteria. Row 1: Amount of coverage to be demonstrated, \$, Criteria. Row 2: Two of the following three ratios: Criteria. Row 2a: Total Liabilities to Net Worth, Less than 2.0

| Line | Requirement | Value | Criteria |
|------|--|-------|--|
| 2b. | Sum of Net Income + Depreciation + Depletion + Amortization to Total Liability | | Greater than 0.1 |
| 2c. | Current Assets to Current Liabilities | | Greater than 1.5 |
| 3. | Net Working Capital | \$ | Not less than 3 times the amount in Line 1 |
| 4. | Tangible Net Worth | \$ | Not less than 3 times the amount in Line 1 |
| 5. | Total Assets in Michigan (see R.299.2330(3)) | \$ | Not less than 3 times the amount in Line 1 |

Alternative B [from R 299.2330(3)(b)]

| Line | Requirement | Value | Criteria |
|------|--|-------|---|
| 6. | Amount of coverage to be demonstrated <i>(Amount of the conformance bond required under Part 625 which this financial test proposes to replace. See R 299.2332)</i> | \$ | |
| 7. | Latest Corporate Bond Rating | \$ | Not less than BBB or Baa |
| 8. | Bond rated by | | Standard and Poor's or Moody's |
| 9. | Tangible Net Worth | \$ | Not less than \$2,000,000 |
| 10. | Total Assets in Michigan (see R. 299.2330(3)) | \$ | Not less than 3 times the amount Line 6 |

The above information is to demonstrate financial responsibility for the company's fiscal year beginning

I state that I am an authorized representative of the company identified above. This report was prepared by myself or under my supervision and direction. The above data have been derived from the company's independently audited year-end financial records for the latest completed fiscal year. On the basis of the listed data, I attest that the company identified above has passed the financial test specified in subrule 3 of R 299.2330 of Part 625, Mineral Wells, Natural Resources and Environmental Protection Act, 1994 PA 451, as amended.

Certification

"I state that I am authorized by said owner. This report was prepared under my supervision and direction. The facts stated herein are true, accurate and complete to the best of my knowledge."

| Name of Authorized Representative | Signature of Authorized Representative | Date |
|-----------------------------------|--|------|
|-----------------------------------|--|------|

Submission Instructions

Mail original and attachments to:

Michigan Department of EGLE
Geologic Resources Management Division
Permits and Bonding Unit
P.O. Box 30256
Lansing, MI 48909-7756

Or submit via email to EGLE at:

EGLE-GRMD-PermitApplications@michigan.gov

Excerpts from Part 625, Mineral Wells, of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, as amended

R 299.2330 (in part) Conformance bond or statement of financial responsibility requirements.
Rule 2330.

- 1) A person who files an application for a permit to drill and operate a well under R 299.2311, or who acquires a well under R 299.2325(3), shall file a conformance bond with the supervisor of mineral wells on a form prescribed by the supervisor of mineral wells or shall submit a statement of financial responsibility as required in subrule (2) of this rule.
- 2) A statement of financial responsibility shall consist of the following:
 - a) A written statement which is signed by the person, which lists data that show that the person meets the criteria specified in subrule (3) of this rule, and which states that the data are derived from an independently audited year-end financial statement.
 - b) A copy of an independent certified public accountant's report on examination of the person's financial statements for the latest completed fiscal year.
 - c) A special report from the person's independent certified public accountant stating that the accountant has compared the data listed in the statement provided under subdivision (a) of this subrule with the amounts in the corresponding year-end financial statement and that nothing came to the attention of the accountant which caused the accountant to believe that the financial records should be adjusted.
- 3) If a person submits a statement of financial responsibility instead of a conformance bond, then the person shall meet the criteria of either subdivision (a) or (b) of this subrule, as follows:
 - a) A person required to file the statement of financial responsibility shall have all of the following:
 - (i) Two of the following 3 ratios:
 - A. A ratio of total liabilities to net worth of less than 2.0.
 - B. A ratio of the sum of net income plus depreciation, depletion, and amortization to total liabilities of more than 0.1.
 - C. A ratio of current assets to current liabilities of more than 1.5. Proved mineral reserves may be used in determining current assets only to the extent that the value of the reserves exceeds the projected costs of development and production.
 - (ii) Net working capital and tangible net worth each of which is not less than 3 times the amount of the conformance bond provided in R 299.2332, if the person had elected to file a conformance bond.
 - (iii) Total assets in this state that are not less than 3 times the amount of the conformance bond provided in R 299.2332, if the person elected to file a conformance bond. Projected mineral reserves may be used in determining current assets only to the extent that the value of the reserves exceeds the projected costs of development and production.
 - (iv) A written statement from a certified public accountant which states that no matter came to the attention of the accountant which caused him or her to believe that the financial records should be adjusted.
 - b) A person required to file a statement of financial responsibility shall have all of the following:
 - (i) A current rating for his or her most recent bond issuance of AAA, AA, A, or BBB as issued by Standard and Poor's or Aaa, Aa, A, or Baa as issued by Moody's.
 - (ii) A tangible net worth of not less than \$2,000,000.00.

- (iii) Total assets in this state that are not less than 3 times the amount of the conformance bond provided in R 299.2332, if the person had elected to file a conformance bond. Projected mineral reserves may be used in determining current assets only to the extent that the value of the reserves exceeds the projected costs of development and production.
- 4) A person shall submit a statement of financial responsibility to the supervisor of mineral wells not less than 60 days before the date the financial assurance is scheduled to take effect.
 - 5) After the initial submission of a statement of financial responsibility, the person shall send an updated statement of financial responsibility to the supervisor of mineral wells within 90 days after the close of each succeeding fiscal year.
 - 6) If a person no longer meets the requirements of subrule (3) of this rule, he or she shall send notice to the supervisor of mineral wells of the intent to establish alternate financial assurance by filing a conformance bond as specified in subrule (1) of this rule. The notice shall be sent, by certified mail, within 90 days after the end of the fiscal year for which the year-end review of the financial records shows that the person no longer meets the requirements. The person shall provide the alternate financial assurance within 120 days after the end of the fiscal year.
 - 7) The supervisor of mineral wells may, based on a reasonable belief that the person no longer meets the requirements of subrule (3) of this rule, require a report at any time from the person in addition to the information required by subrule (3) of this rule. If the supervisor of mineral wells finds, on the basis of a review of the report or other information, that the person no longer meets the requirements of subrule (3) of this rule, then the supervisor of mineral wells or authorized representative of the supervisor of mineral wells shall notify and inform the person. Within 30 days of the notification, the person shall provide alternate financial assurance by filing a conformance bond as specified in subrule (1) of this rule or shall bring the well to final completion. Failure to comply with this subrule shall be cause for immediate suspension of any or all components of the operations on the well.

People with disabilities may request this material in an alternate format by emailing EGLE-Accessibility@Michigan.gov or calling 800-662-9278.

EGLE does not discriminate on the basis of race, sex, religion, age, national origin, color, marital status, disability, political beliefs, height, weight, genetic information, or sexual orientation in the administration of any of its programs or activities, and prohibits intimidation and retaliation, as required by applicable laws and regulations.

This form and its contents are subject to the Freedom of Information Act and may be released to the public.