



MICHIGAN DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY

Geologic Resources Management Division

Bond for Conformance

By authority of Part 615, Supervisor of Wells, Act 451 PA 1994, as amended.

Non-submission and/or falsification of this information may result in fines and/or imprisonment.

Oil and Gas Operations Bond

Bond Number: _____

Single \$ _____

Blanket \$ _____

Well Name and Number: _____

Attach Initial Well List

(Name and Address of Principal)

_____ in the State of _____ as Principal and

(Name and Address of Surety)

a corporation organized and existing under the laws of the State of _____ and duly authorized to transact business in the State of Michigan, as Surety, are held and firmly bound unto the State of Michigan in the penal sum of _____ dollars.

The Principal named is about to commence and prosecute to final completion well(s) and operations authorized by permits issued or to be issued under Part 615, Act 451 PA 1994, as amended.

“Final completion” means the time when locating, drilling, deepening, converting, operating, producing, reworking, plugging, and proper site restoration have been performed on a well in a manner approved by the supervisor, including the filing of the mandatory records, and when the conformance bond has been released.

When the Principal complies with the provisions of the applicable provisions of Part 615, Act 451 PA 1994, as amended, in the final completion of the well(s), the Surety’s obligations can be terminated otherwise this obligation remains in full force and effect. The Surety’s liability herein is co-extensive with that of the Principal and the State of Michigan has the same remedies against the Surety as against the Principal.

This bond is executed and accepted subject to the following condition: The liability of this bond is set forth in R 324.211, R 324.213, R 324.214, and R 324.215 of the rules promulgated under section 61506 of Part 615, Supervisor of Wells, Act 451 PA 1994, as amended. (See pages 3-4 of bond)

The Surety, by execution of the bond, accepts the liability covered by prior bond(s) _____

(Number(s) and Company)

and gives notice to the Supervisor of Wells of the need for terminating the prior bond(s) as listed herein with such termination to be effective as of the time that this bond becomes effective.

Signed, sealed and dated the _____ day of _____, _____

(Principal)

(Surety)

By: _____
(Signature)

By: _____
(Signature)

(Name and Title)

(Name and Title)

When the Principal or Surety executes this bond by an agent, power of attorney or other evidence of authority must accompany the bond.

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

EGLE Use Only

Permit Number:

Issue date:

Type of Well:

Current true vertical depth:

Purpose of bond:

Excerpts from General Rules governing oil and gas operations (effective 9/20/96)

R 324.211 Liability on conformance bond.

Rule 211.

(1) The liability on the conformance bond is conditioned upon compliance with the act, these rules, permit conditions, instructions, or orders of the supervisor. Subject to the provisions in R 324.213, liability shall cover all operations of the permittee as follows:

- (a) Through transfer of the permit for the subject well pursuant to R 324.206(6).
- (b) Through final completion approved by the supervisor of the subject well.
- (c) Otherwise as approved by the supervisor.

(2) The supervisor shall look to the conformance bond for immediate compliance with, and fulfillment of, the full conditions of the act, these rules, permit conditions, instructions, or orders of the supervisor. All expenses incurred by the supervisor in achievement of compliance with, and fulfillment of, all conditions of the act, these rules, permit conditions, instructions, or orders of the supervisor shall be paid by the permittee or the surety or from cash or securities on deposit. The claim shall be paid within 30 days of notification to the permittee or surety that expenses have been incurred by the supervisor. If the claim is not paid within 30 days, the supervisor, acting for and on behalf of the state, may bring suit for the payment of the claim.

R 324.212 Conformance bond amounts.

Rule 212.

A person who drills or operates a well shall file a conformance bond with the supervisor for the following amounts, as applicable:

- (a) Single well conformance bonds shall be filed in the following amounts, as applicable:
 - (i) \$20,000.00 for wells up to and including 2,000 feet deep, true vertical depth.
 - (ii) \$40,000.00 for wells deeper than 2,000 feet, but not deeper than 4,000 feet, true vertical depth.
 - (iii) \$50,000.00 for wells deeper than 4,000 feet, but not deeper than 7,500 feet, true vertical depth.
 - (iv) \$60,000.00 for wells deeper than 7,500 feet, true vertical depth.

(b) A person may file single well conformance bonds in an amount equal to 1/2 of the amount specified in subdivision (a) of this rule for wells where well completion operations have not commenced. A person may not file single well conformance bonds under this subdivision for more than 5 wells. A person shall file single well conformance bonds in the full amount specified in subdivision (a) of this rule or file a blanket conformance bond as specified in subdivision (c) of this rule or submit a statement of financial responsibility pursuant to R 324.210 before the commencement of well completion operations on any well.

(c) Blanket conformance bonds may be filed as an alternative to single well conformance bonds. If a blanket conformance bond is utilized, then the permittee shall provide the supervisor with a list of wells covered by the blanket conformance bond. A maximum of 100 wells may be covered by a blanket conformance bond. If the permittee has more than 100 wells in a category, then the additional wells may be covered by single well conformance bonds or additional blanket conformance bonds. Blanket conformance bonds shall be filed in the following amounts, as applicable:

- (i) \$100,000.00 for wells up to and including 2,000 feet deep, true vertical depth.
- (ii) \$200,000.00 for wells deeper than 2,000 feet, but not deeper than 4,000 feet, true vertical depth.
- (iii) \$250,000.00 for wells deeper than 4,000 feet, true vertical depth.

(d) A person shall not be required to file a blanket conformance bond or bonds in an aggregate amount of more than \$250,000.00. When the aggregate amount of the conformance bonds is \$250,000.00, the permittee may file 1 blanket conformance bond of \$250,000.00 to cover all of his or her wells.

R 324.213 Cancellation of conformance bonds issued by a surety.

Rule 213.

(1) A surety company may cancel a conformance bond acquired pursuant to these rules upon 90 days' notice to the supervisor of the effective date of cancellation. However, the surety company shall retain liability for all violations of the act, these rules, permit conditions, instructions, or orders of the supervisor that occurred during the time the conformance bond was in effect.

(2) Forty days before the effective date of cancellation, as provided in subrule (1) of this rule, a permittee shall secure a conformance bond from another surety company authorized to do business in the state of Michigan, deposit cash or other securities, or bring the well to final completion. Failure to comply with this subrule shall be cause for the immediate suspension of any or all components of the operations on the well.

(3) A surety company shall remain liable until the violations have been corrected and the corrections are accepted by the supervisor for all violations of the act, these rules, permit conditions, instructions, or orders of the supervisor that occurred at the well during the time the conformance bond was in effect before the effective date of cancellation.

R 324.214 Limitation of additional liability of blanket conformance bonds.

Rule 214.

A surety company may refuse to accept liability for additional wells under a blanket conformance bond by giving 10 days' notice by registered mail to the supervisor. Subject to the provisions of R 324.213, the blanket conformance bond shall continue in full force and effect as to all other wells covered by the blanket conformance bond for which permits were granted or transferred to the permittee before the effective date of the notice.

R 324.215 Release of conformance bonds; release of well from blanket conformance bond.

Rule 215.

(1) A conformance bond shall be released or a well shall be released from a blanket conformance bond, subject to the provisions of R 324.213, by the supervisor or authorized representative of the supervisor if a permittee disposes of the well and the permit for the well has been transferred to a new person pursuant to R 324.206(6) or if the well has been plugged and proper site restoration has been performed pursuant to R 324.1003, including the filing of the mandatory records.

(2) The release of the conformance bond or the release of a well from a blanket conformance bond does not release a permittee from liability for any violations of the act, these rules, permit conditions, instructions, or orders of the supervisor which occurred during the time the conformance bond was in effect and which have not been corrected and accepted by the supervisor.

(3) A conformance bond filed to comply with a permit that has become terminated shall be released if there is final completion.

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