

Bond #

STATE OF WYOMING  
Office of State Lands and Investments  
Herschler Building, 3 West  
122 West 25<sup>th</sup> Street  
Cheyenne, WY 82002-0600

**OWNER'S SURETY BOND FOR OFF-CHANNEL STORAGE**

KNOW ALL MEN BY THESE PRESENTS, that we \_\_\_\_\_, as principal (Principal), and \_\_\_\_\_, A Surety Company authorized to do business in the State of Wyoming, as surety (Surety), are held and firmly bound unto the State of Wyoming in the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) lawful money of the United States, to be paid to the Office of State Lands and Investments, as agent for the State of Wyoming, for the use and benefit of the State of Wyoming, we bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally by these presents.

Signed with our hands and seals this \_\_\_\_ day of \_\_\_\_\_ A.D. 2\_\_\_\_\_.

THE CONDITION OF THE OBLIGATION IS SUCH THAT, WHEREAS, the Principal is or will be engaged in constructing, operating and closing an off-channel storage facility (the Reservoir) and reclaiming the surface area of the Reservoir and any additional surface area affected by the Reservoir to the condition of the lands before the existence of the Reservoir, all to the satisfaction of the Office of State Lands and Investments, upon the following described lands within the State of Wyoming, to wit:

(Provide legal description of the land affected as well as facility name(s) and/or number(s) for each off-channel storage facility covered by this bond)

WHEREAS, the Principal and Surety agree that the neglect or forbearance of the Wyoming Office of State Lands and Investments in enforcing, as against the Principal, any of the covenants, conditions, agreements, rules, regulations, or requirements associated with this bond, shall not, in any way, release the Principal and Surety, or either of them, from any liability under this bond.

NOW THEREFORE, if said Principal shall well and truly comply with all reclamation obligations contained herein; said reclamation obligations to be conducted in accordance with the terms of Principal's lease with the Wyoming Office of State Lands and Investments; all applicable laws, rules, and regulations in effect at the time of the reclamation; and the orders of the Director of the Wyoming Office of State Lands and Investments or his or her duly authorized representative, then Principal's reclamation obligations shall be satisfied, otherwise Principal's reclamation obligations shall remain in full force and effect. Any action upon this bond shall be governed by Wyoming law.

In case of breach of any of the conditions of the foregoing bond, Surety holds itself bound as principal thereunder, in the amount aforesaid, and agrees to answer for the same without regard to and independently of any action taken against Principal and whether Principal be first pursued or not.

Notice to Surety shall be given to the Surety Company at

In WITNESS WHEREOF, we have set out respective hands and seals this \_\_\_\_ day of \_\_\_\_\_ A.D. 2\_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Principal (Seal)

By  
President or Vice President

SURETY COMPANY

By  
Attested

Corporate Seal of Surety Company must be affixed hereto.

**For Office Use Only**

Date Released

**Wyoming Office of State Lands and Investments**  
**Produced CBM Water Off-Channel Storage on State Lands**

*Notice to State of Wyoming Oil and Gas Lease Operators/Lessees*

If your company has constructed off-channel CBM water storage on State land, which may or may not have been noted in your original water management plan, the additional risks to the land base posed by such added disturbances, must be mitigated. As such, both maintenance, through the useful life of the structure in terms of wildlife safety, livestock safety and water escape issues and reclamation at the end of useful life of the impoundment structure, must be addressed and shown in an amendment to existing plans, and within all new plans.

In most instances, these impoundments dotting the landscape will not be beneficial in terms of use, except for that of original intention. And, as such, most if not all, will require reclamation as they will likely not be of any value to the land base. It will be your responsibility as the State's oil and gas lessee and operator installing these impoundments, to remove and fully reclaim them to the satisfaction of this Office. Breaching the impoundment will not be sufficient. Complete restoration to the natural contours, or as nearly as possible, will be required, as well as appropriate seed mixtures for the establishment of new ground cover.

Given the magnitude, both in terms of numbers of off-channel ponds, and potentially, the sizing of some of these impoundments, it will be necessary to require additional bonding for those State lands embracing any such impoundments. The rules of the Board of Land Commissioners and the State Oil and Gas Lease (Board of Land Commissioners – Lessor) allow for a bond increase to an amount considered sufficient to fully protect the State's interests in situations such as this impoundment construction practice. In attempting to be as fair as possible; and, to hold down operator costs, we are requiring that you provide us with a certified engineer's report as to costs of construction and more importantly, cost of proper abandonment and reclamation to the natural state or as close thereto as possible, for each off-channel storage reservoir placed on State land. A separate bond (bond increase) will be required for each lease affected, using this document and such other information as may exist in the circumstances, for any such off-channel impoundments. As such, please take those steps necessary to provide this Office with the above-mentioned data prior to construction of such impoundments. The amount of additional bond may at a later date in the life of the project, require adjustment again to reflect the inflationary aspects of this type activity. If this occurs, such action will be based in contemporary documentation as relates to the most recent information we possess on costs for this type reclamation.

Your attention and cooperation in this matter is essential to maintaining an effective leasehold on State lands; and, is appreciated. Protection of State lands for all uses, now and in the future, is a part of the requirements of our lease terms; and, is a fundamental charge of this Office.

Thanking you in advance for your compliance in this matter, I remain,

Respectfully Yours,  
Harold Kemp, Assistant Director