

TO: RAILROAD COMMISSION OF TEXAS
Attention: Oil & Gas Division
Administrative Compliance Section
P-5 Financial Assurance Unit
P.O. Box 12967
Austin, TX 78711-2967

P-5LC
rev. 9/2021

IRREVOCABLE LETTER OF CREDIT

This Irrevocable Letter of Credit (Letter of Credit) is issued in connection with Texas Natural Resources Code §§ 91.103, 91.104 and 91.142, which require that any person performing operations within the jurisdiction of the Commission execute and file with the Commission financial security in an amount specified by Texas Natural Resources Code §§ 91.104, 91.1041 and 91.1042. The amount of financial security required is based on the number of wells indicated on the Oil and Gas Proration Schedule(s) associated with the Operator, hereby incorporated by reference.

This Letter of Credit is issued specifically at the request of the Operator to guarantee that funds in the amount required by the Texas Natural Resources Code will be available until the Operator has plugged and abandoned all of its wells, and controlled, abated, and cleaned up any pollution associated with the Operator's oil and gas activities covered by the Letter of Credit, or until a new form of financial security is submitted and approved by the Commission to replace and/or supplement this Letter of Credit.

We, Issuer, hereby establish our Irrevocable Letter of Credit No. _____ in favor of the Railroad Commission of Texas (Commission), Austin, Texas for the account of _____ (operator's name exactly as shown on Form P-5 (Organization Report), hereinafter "Operator"), Operator No. _____, for the aggregate amount of _____ Dollars (\$ _____) available by your drafts at sight on the bank at the address specified below when drawn in accordance with the following terms and accompanied by the documents listed below:

- A. The Operator and the issuer of this Letter of Credit acknowledge and agree that, due to amendments to the Texas Natural Resources Code, amendments to Commission rules, and/or changes to the operator's Commission-regulated operations, including without limitation the acquisition of additional wells, Operator may be required during the effective term of this Letter of Credit to provide additional financial security beyond the face amount of this Letter of Credit before its Form P-5 (Organization Report) will be accepted and approved.
- B. This Letter of Credit is specifically issued at the request of the Operator as guaranty that this fund will be available during the time that the Operator is performing Commission-regulated operations. We are not a party to, nor bound by, the terms of any agreement between the Commission and the Operator out of which this Blanket Letter of Credit may arise.
- C. Drafts drawn under this Letter of Credit must be accompanied by the original Letter of Credit (including any amendments) and an affidavit from the Railroad Commission of Texas or an authorized representative, stating that:
 1. a well or other oil and gas operation or activity subject to this Letter of Credit is likely to pollute or is polluting any ground or surface water or is allowing uncontrolled escape of formation fluids from the strata in which they were originally located; or
 2. a well or other oil and gas operation or activity subject to this Letter of Credit is not being maintained in compliance with Commission rules or state law relating to plugging, inactive wells, or the prevention or control of pollution; or
 3. the Operator has failed to maintain an active Form P-5 (Organization Report), or current operator status, as reflected on the Commission's P-5 records;

AND

4. the draft is in the estimated costs of:
 - a. plugging all land wells (an amount which is estimated by multiplying the total depth of each well by the average actual per-foot plugging costs for wells plugged by the Commission in the preceding state fiscal year for the Commission Oil and Gas Division district in which each well is located) (if for any reason a district average is not available, then the state-wide average for the preceding fiscal year shall be used); and
 - b. plugging all bay and/or offshore wells (which is the amount required in 16 Tex. Admin. Code § 3.78(g)(1)(A) or (B) plus the additional amount that is required *per well* by the Commission in 16 Tex. Admin. Code § 3.78(g)(2)-(5); and
 - c. closing any other operation or activity, or controlling, abating, or cleaning up pollution.

We, Issuer, will be entitled to rely upon the statements contained in the affidavit and will have no obligation to independently verify any statements contained therein.

Each draft hereunder must be endorsed on the reverse side of this Blanket Letter of Credit, and this Blanket Letter of Credit must be attached to the last draft when the credit has been exhausted. Drafts may be presented at the office of this bank no later than 5:00 p.m. (local time) on _____, 20 ____ (date must be 90 days after the Operator's P-5 expiration date), and bear the clause "Drawn under the _____ (Bank name), Bank Letter of Credit No. _____, dated _____."

We hereby engage with the bona fide holders of this draft and/or documents presented under and in compliance with the terms of this Blanket Letter of Credit that such draft and/or documents will be duly honored upon presentation to us.

Our obligations hereunder shall not be subject to any claim or defense by reason of the invalidity, illegality, or unenforceability of any of the agreements upon which this Blanket Letter of Credit is based. This Letter of Credit is subject to the "Uniform Customs and Practice for Documentary Credits" (2007 Revision) fixed by the International Chamber of Commerce (Publication #600) when not in conflict with the express terms hereof or with the provisions of Title 1, Chapter 5 of the Texas Business and Commerce Code.

Bank Name: _____

By: _____

(Name): _____

(seal) or
ATTEST: (Corporate Title): _____ ()
Tel: Area Code Number

Address of Bank:

Assistant Cashier or Cashier

Date: month day year