



BOND NO. _____
RAILROAD COMMISSION OF TEXAS
Oil & Gas Division | Technical Permitting
Authorized Schedule B Financial Security Bond

Date: _____

Organization Name: _____ P-5 No. _____

Background

- 1.1 _____ (Operator name as shown on P-5 Organization Report), "Principal," operates or is applying for the Railroad Commission approval to operate Produced Water Recycling Pit(s) subject to Texas laws. Texas Natural Resources Code §91.109 and Texas Administrative Code Vol. 16, §4.115 provide that the owner and operator of a Produced Water Recycling Pit(s) must maintain a performance bond, letter of credit, or cash deposit that meets the requirements of §4.115(c).
- 1.2 As specified in §4.115, Principal has retained _____, ("Surety"), a State of Texas authorized Surety, to secure this promise to pay.
- 1.3 This bond covers the following Produced Water Recycling Pit(s) *(If additional space is needed, attach any additional Produced Water Recycling Pits as Exhibit A, entitled "Exhibit A of RRC EP-3 Bond No. _____")*:

	Pit ID/Name by Operator	Total Pit Capacity (barrels)	RRC Tracking/ Registration No.
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Terms

- 2.1 Principal and Surety must pay the Railroad Commission of Texas, in Austin, Travis County, Texas, the sum of \$ _____ U.S., according to the following paragraphs.
- 2.2 The Railroad Commission will notify the Surety after the Principal fails to operate or close a Produced Water Recycling Pit(s) as required by Texas law and the Railroad Commission rules. Notice will be mailed by registered or certified U.S. mail to the address shown below. After the Surety receives notice of the Principal's default, the Surety may either:
- (A) Pay up to the face amount of this bond to bring into compliance or close the Produced Water Recycling Pit(s) according to Texas law and the Railroad Commission rules; or
 - (B) Pay the face amount of this bond to the Railroad Commission to be used by the Railroad Commission to bring into compliance or close the Produced Water Recycling Pit(s). The Railroad Commission will return unexpended funds to the Surety after the Produced Water Recycling Pit(s) are brought into compliance or closed.

- 2.3 The Railroad Commission does not have to expend state funds before Surety must pay under this bond.
- 2.4 The State of Texas may enforce Surety's obligations under this bond without first obtaining a judgment against the Principal or exhausting its remedies against the Principal's properties or assets.
- 2.5 Under paragraph 2.2(A), Surety must present to the Railroad Commission, within 60 days after it receives notice of Principal's default, a plan demonstrating how the Produced Water Recycling Pit(s) will be brought into compliance or closed. Surety must also furnish an accounting, acceptable to the Railroad Commission, of all sums expended by it to bring into compliance or close the Produced Water Recycling Pit(s) according to Texas law and the Railroad Commission rules. Surety will submit the accounting to the Railroad Commission within 30 days of bringing it into compliance or closing the Produced Water Recycling Pit(s).
- 2.6 Under paragraph 2.2, Surety remains obligated to pay for any other covered Produced Water Recycling Pit(s) up to the face amount of the bond.
- 2.7 The term of this bond expires on _____ (bond expiration date) and is renewable annually. The Principal or Surety will renew this bond in writing and submit it to the Railroad Commission 30 days before the bond expires. Obligations to pay part or all of the bond amounts are released after four (4) years from the expiration date of the bond if no clean-up or closure-related activities are initiated by the Railroad Commission or its authorized representative at the Produced Water Recycling Pit(s) during those four years. The Railroad Commission or its authorized representative may relieve in writing Principal and Surety from their obligations under this bond.
- 2.8 If the Surety does not fulfill its obligations according to the bond terms and if judgment for any part of the bond amount is awarded through the action of the Attorney General in court, then the State shall be entitled to court costs and reasonable attorney fees awarded by the court. Surety's liability for such costs and fees shall not be limited by the face amount of this bond.
- 2.9 Principal and Surety execute this bond and agree to pay proceeds under this bond in Austin, Travis County, Texas. A suit to collect on this bond or construe this bond lies in Travis County, Texas.

Dated _____

SURETY

(Attach Power of Attorney demonstrating authority to sign)

PRINCIPAL

(Attach Power of Attorney demonstrating authority to sign)

NAME AND TITLE (Type or Print)

NAME AND TITLE (As listed on the P-5 Organization Report)
(Type or Print)

SURETY'S FULL MAILING ADDRESS

SURETY'S PHYSICAL ADDRESS

SURETY'S TELEPHONE NUMBER

(Seal)