



LAPIS ENERGY (LA DEVELOPMENT) LP  
ST. CHARLES PARISH, LA

**CLASS VI PERMIT  
SECTION 9 – FINANCIAL ASSURANCE PLAN  
40 CFR 146.85**

## SECTION 9 – FINANCIAL ASSURANCE

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## **9.1 Facility Information**

Project Name: Libra CO<sub>2</sub> Storage Solutions Project

Company Name: Lapis Energy (LA Development), LP

Project Contact:

Brandon Anderson, Libra Project Manager  
Lapis Energy (LA Development), LP  
5420 LBJ Fwy, Bldg. 2  
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Dallas, Texas 75240  
469-629-1766 / permitting@lapisenergy.com

Well Locations: St. Charles Parish, Louisiana

Simoneaux CCS Injector Well No. 001  
Latitude: 29° 48' 35.315" N (North American Datum of 1927 (NAD 27))  
Longitude: 90° 22' 17.226" W (NAD 27)

Simoneaux CCS Injector Well No. 002  
Latitude: 29° 48' 35.317" N (NAD 27)  
Longitude: 90° 22' 17.510" W (NAD 27)

Simoneaux CCS Injector Well No. 003  
Latitude: 29° 48' 35.319" N (NAD 27)  
Longitude: 90° 22' 17.793" W (NAD 27)

**Lapis Energy (LA Development), LP** (Lapis) is providing this financial responsibility proposal pursuant to Statewide Order (SWO) 29-N-6 and Title 40, U.S. Code of Federal Regulations (40 CFR) **§146.85**

Lapis has researched financial instrument alternatives and intends to implement surety bonds or trust instrument(s) to cover (1) the costs of corrective action, (2) injection well plugging, and (3) post-injection site care and site closure. For emergency and remedial response, Lapis intends to secure a site pollution insurance policy crafted to meet the Company's project-specific needs and Commissioner of Conservation (Commissioner) requirements.

The estimated costs of each of these activities, as provided by a third party with knowledge of industry standards and utilizing current U.S. dollar values, are presented in Table 9-1.

Figure 9-1 – Cost Estimates for Activities to be Covered by Financial Responsibility

Activity	Total Cost (\$)
Corrective Action	\$15,953,750
Injection Well Plugging	\$1,330,000
Post-Injection Site Care and Site Closure	\$4,245,000
Emergency and Remedial Response	\$20,000,000

The explanation of the cost estimates listed in Table 9-1 are as follows:

**Corrective Action** – The estimate is \$15,953,750 in today's dollars. Based on the Corrective Action Plan presented in *Section 3 – Area of Review and Corrective Action Plan*, Lapis will be conducting the entirety of the corrective action scope after injection has begun. Lapis is proposing to issue a surety bond to address this exposure.

**Plugging Injection Wells** – An itemized third-party estimate is provided through the Geologic Sequestration Data Tool as confidential information. The plugging estimate of the project wells is \$1,330,000 in today dollars.

**Post-Injection Site Care and Site Closure (PISC)** – The cost exposure of PISC is \$4,245,000 in today's dollars. Lapis is permitting the PISC activities to begin 20 years after the commencement of operations. Lapis is proposing to issue a surety bond, or multiple bonds separately, if necessary, to address this exposure.

**Emergency and Remedial Response** – Lapis has quantified multiple worst-case scenarios, addressing numerous outcomes and risk-ranked each accordingly. A copy of the Risk Matrix is included in *Appendix I-1*. The total combined cost, based on the risk ranking of each scenario, is \$15,900,000 in today's dollars. Lapis is proposing to financially assure against the worst of the risk-ranked scenarios at a value of \$20,000,000 with a site pollution insurance policy.

## **9.2 Lapis Energy (LA Development), LP – Class VI Applicant overview as designated Developer of Libra CO2 Storage Solutions LLC**

From the 2023 Ernst & Young LLP financial audit of Lapis Energy Holdings, LP

*Lapis Energy Holdings LP and its subsidiaries (the Company) was formed on November 24, 2021 for the purpose of originating, developing and implementing industrial de-carbonization projects that capture, transport and sequester or store carbon dioxide, known as the Carbon Capture and*

*Storage or “CCS” industry, and other greenhouse gases including related low carbon projects such as clean hydrogen. [REDACTED] is the primary source of funding to the Company to support the Company’s development efforts. The Company is still in the origination phase of developing and implementing projects.*

Lapis Energy (LA Development) LP is a wholly owned subsidiary of Lapis Energy Holdings.

Lapis has been capitalized to date with equity funding by certain members of the management team and [REDACTED], a dedicated investment vehicle controlled by [REDACTED] [REDACTED], a growth-oriented, middle market-focused private equity firm with more than \$1.6 billion of assets under management, that invests in sustainable and conventional energy, industrial materials, and agricultural infrastructure.

Lapis Energy (LA Development) LP is the Class VI Permit applicant on behalf of Libra CO2 Storage Solutions LLC, which is detailed below.

### **9.3 Financial Backing of Libra CO<sub>2</sub> Storage Solutions LLC**

From the 2023 PwC financial audit of Libra CO2 Storage Solutions LLC

*Libra CO2 Storage Solutions LLC was formed by Lapis Energy LP (“Lapis”) as a special purpose entity to hold and develop pore space assets previously secured by Lapis under a Servitude Agreement with a landowner in St. Charles, Parish, Louisiana (“Servitude Agreement”). Effective June 7, 2023, the Company entered into a joint venture for the purpose of designing, implementing, and operating a carbon dioxide (“CO2”) sequestration (“CCS”) project at the site secured by the Servitude Agreement. The Company is still in the permitting phase of the project with Lapis serving as the Developer under the Development Services Agreement entered concurrent with the joint venture transaction.*

Libra is owned 50/50 by Lapis Energy LP, a wholly owned subsidiary of the Lapis Energy Holdings LP parent entity, and an investor.

Under Libra’s governing documentation, including the Development Services Agreement, Lapis as the “Developer” of Libra is authorized to submit this Class VI permit application. As a joint venture owner, Lapis will be the Developer through Class VI approval, the primary stage gate, for Lapis to submit a qualifying Financial Investment Decision (“FID”) package to the Libra Board for approval. The Libra Board is comprised of two representatives from Lapis and two representatives from the investor.

## **9.4 Strategy and Milestones to Secure Financial Instruments**

Lapis has reviewed the regulations and understands they must demonstrate financial responsibility to the Commissioner during the phases of the application and the project itself. As such, the Company has provided estimates and procured advice from attorneys, industry advisors, and insurance brokers who have direct experience with companies that have submitted Class VI permit applications—or are in the process of doing so—to address the following:

1. Corrective action on wells in the area of review (AOR)
2. Injection well plugging
3. Post-injection site care and site closure
4. Emergency and remedial response (ERR) activities

Further, management has referenced the Underground Injection Control (UIC) Class VI Program Financial Responsibility Guidance document.

With regard to Items 1, 2 and 3 above, the Company has entered into a General Indemnity Agreement with Ascot Surety and Casualty Company and a Financial Responsibility (or “Good Guy”) letter with the same carrier for an amount of \$29 million.

Figure 9-1 provides information from AM Best for Ascot Surety and Casualty Company, which is rated A (Excellent).

**Figure 9-2 – Credit Rating Snapshot**

Best's Credit Ratings	
<b>Financial Strength</b> <a href="#">View Definition</a>	<b>Best's Credit Rating Analyst</b>
Rating (Rating Category): A (Excellent) Affiliation Code: g (Group) Outlook (or Implication): Stable Action: Affirmed Effective Date: September 28, 2023 Initial Rating Date: April 18, 2022	Rating Office: A.M. Best Rating Services, Inc. Financial Analyst: Billiah Moturi Director: Erik Miller <i>Note: See the Disclosure information Form or Press Release below for the office and analyst at the time of the rating event.</i>
<b>Long-Term Issuer Credit</b> <a href="#">View Definition</a>	<b>Disclosure Information</b>
Rating (Rating Category): a+ (Excellent) Outlook (or Implication): Stable Action: Affirmed Effective Date: September 28, 2023 Initial Rating Date: April 18, 2022	<b>Disclosure Information Form</b> <a href="#">View AM Best's Rating Disclosure Form</a> <b>Press Release</b> <b>AM Best Affirms Credit Ratings of Ascot Group Limited's Core Operating Subsidiaries</b> September 28, 2023  <a href="#">View AM Best's Rating Review Form</a>
<b>Financial Size Category</b> <a href="#">View Definition</a>	
Financial Size Category: XIII (USD 1.25 Billion to Less than 1.50 Billion)	

Lapis' intent is to secure up to three bonds to address these assurance requirements, per guidance from the Company's insurance broker and communication with other brokers active in the carbon capture and sequestration (CCS) market. Lapsi will provide updated information related to their financial responsibility instruments annually to the Commissioner. Additionally, Lapis will review the financial assurance estimates for adjustments to inflation and cost adjustments annually, at least 60 days prior to the anniversary date of the instruments being established.

With regard to Item 4, Lapis procured a financial assurance letter from Alliant Insurance Services, Inc (Alliant). At this time, per recent guidance from Alliant based on the ERR cost estimate provided above, Lapis intends to secure insurance coverage for this exposure under a site pollution insurance policy with a limit of \$16,000,000, at an annual premium estimated by our broker at \$175,000 to \$225,000 per annum, up to a limit of \$20,000,000, at an annual premium estimated by our broker at \$200,000 to \$250,000 per annum.

This type of policy includes a Financial Responsibility and Reimbursement Endorsement manuscript that states, "Coverage hereunder shall only apply to the extent a Financial Assurance Claim is made by a regulatory agency to which the Insured is required to demonstrate financial responsibility pursuant to US EPA code 40 CFR 146.94." Figure 9-2 provides a snapshot of the wording that has been accepted by the EPA on various similar CCS projects.

Figure 9-3 – Legal Language of Financial Assurance Endorsement

**A. REMEDIATION EXPENSES**

To pay on behalf of the **Insured**:

**Coverage A.1 - Onsite Pollution**

1. **Remediation Expenses** incurred in accordance with the **Emergency and Remedial Response Plan** exclusively for remediation of **Pollutants** that are on or under a **Covered Property**.

**Coverage A.2—Offsite Pollution**

2. **Remediation Expenses** incurred in accordance with the **Emergency and Remedial Response Plan** exclusively for remediation of **Pollutants** that are beyond the boundaries of the **Covered Property**.
3. Coverage under Section **I.A.1** and **I.A.2** shall apply only if the **Insured** becomes legally obligated to pay such **Remediation Expenses** as a result of a **Financial Assurance Claim** which is first made against the **Insured** and reported to the Company in writing during the **Policy Period**, or during the **Extended Reporting Period** if applicable.

**B. EMERGENCY RESPONSE EXPENSES**

To pay on behalf of the **Insured**, **Emergency Response Expenses** incurred in accordance with the **Emergency and Remedial Response Plan** as a result of a **Financial Assurance Claim**. The **Emergency Response Expenses** must: (i) arise from a **Pollution Incident** that first commenced during the **Policy Period**; (ii) be in accordance with **Emergency and Remedial Response Plan**; and (iii) result from **Financial Assurance Claim** made by a regulator to whom the Company has furnished evidence of financial assurance. For this Coverage to apply, the **Pollution Incident** giving rise to the **Emergency Response Expenses** must be unexpected and unintended from the standpoint of the **Insured**.

The Company is maintaining flexibility to enter into alternative financial instruments and collateralization requirements or seek coverage from other insurance companies—as milestones are achieved and pay-in periods are defined—and will maintain open communication with the Commissioner throughout the permit approval process and beyond.

Financial assurance will be maintained until the Commissioner receives and approves the site closure plan and approves the site closure.

The following attachments are located in *Appendix I*:

Appendix I-1 Risk Matrix

Appendix I-2

Appendix I-3

Appendix I-4