

FINANCIAL RESPONSIBILITY DEMONSTRATION
40 CFR 146.85 and 16 TAC 5.203(n) and 5.205

Sugarberry CCS Hub

Facility Information

Facility Name: Sugarberry CCS Hub

Facility Contact: Sugarberry CCS, LLC
14302 FNB Parkway
Omaha, NE 68154

RRC Organization
Report Number: 102245

Well locations: Projection WGS84

Well	County/State	Latitude	Longitude
SB-01	Hopkins, TX	33.202707	-95.338539
SB-02	Hopkins, TX	33.189225	-95.375952
SB-03	Hopkins, TX	33.196028	-95.405035
SB-04	Hopkins, TX	33.219565	-95.434859
SB-05	Hopkins, TX	33.207361	-95.385666

Certification

**Sugarberry CCS, LLC
Sugarberry CCS Hub
Hopkins, TX
Class VI Injection Well Permit
Application**

I certify under penalty of law that I am a Licensed Professional Engineer in the State of Texas. I have reviewed the document and all the attachments in section 9 (Financial Responsibility Demonstration), which were prepared with reliance on publicly available data and information to estimate the escrow amounts needed over the 50-year lifespan of the project. To the best of my knowledge and belief, the information in this report is true and accurate at this time. I know there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

<ADD SEAL>



Jennifer Taylor, P.E.

May 1, 2025

Date

132414

License No.

Table of Contents

List of Acronyms/Abbreviations.....	3
A. Introduction.....	4
B. Estimated Coverage Amounts.....	4
C. Discussion of Financial Responsibility Activities and Cost Estimates	6
D. Financial Responsibility Demonstration.....	11
References.....	13

List of Tables

Table 3-1. Summary of Costs	Error! Bookmark not defined.
Table 3-2. Cost Estimation Inputs for Estimating Financial Responsibility for the Sugarberry CCS Hub	5
Table 3-3. Summary of Financial Responsibility Costs by Phase/Activity to be Covered by Financial Responsibility.....	6
Table 3-4. Summary of Data on Wells within the AoR.....	6
Table 3-5. Estimated Costs for Post Injection Site Care / Monitoring and Site Closure.....	9
Table 3-6. Costs for Emergency and Remedial Response.....	11

List of Acronyms/Abbreviations

AoR	Area of Review
CCS	Carbon Capture and Sequestration
CFR	Code of Federal Regulations
CO ₂	Carbon Dioxide
DAS	Distributed Acoustic Sensing
DOE	Department of Energy
DTS	Distributed Temperature Sensing
EPA	Environmental Protection Agency
ERRP	Emergency and Remedial Response Plan
ft	Foot/Feet
GS	Geologic Sequestration
mg/l	Milligrams per liter
MIT	Mechanical Integrity Test
MMcf/d	Million cubic feet/day
MMt	Millions of metric tons
MMt/y	Millions of metric tons per year
PISC	Post-Injection Site Care
PNC	Pulsed Neutron Capture Log
psi	Pounds per square inch
psi/ft	Pounds per square inch per foot
RRC	Texas Railroad Commission
SB	Sugarberry CCS Hub
SCS	SCS Engineers
SS	Sub-sea
t	Metric tons
t/d	Metric tons per day
t/y	Metric tons per year
TAC	Texas Administrative Code
TD	Total Depth
TVD	True Vertical Depth
UIC	Underground Injection Control
USDW	Underground Source of Drinking Water

A. Introduction

Under 40 CFR 146.85, owners/operators of Geologic Sequestration (GS) wells are required to demonstrate Financial Responsibility consistent with the July 2011 guidance set forth by the U.S. Environmental Protection Agency (EPA, 2011). Texas has additional requirements for financial responsibility and assurance for geologic storage facilities at 16 TAC 5.203(n) and 5.205 that are enforced by the Railroad Commission of Texas (RRC). Sugarberry CCS, LLC has prepared this document to comply with federal and state requirements and to summarize its project activities at the Sugarberry CCS Hub in Hopkins County, Texas (the “project”), as well as the combination of qualifying financial instruments, that it proposes to use to demonstrate Financial Responsibility for the following GS activities:

- Performing corrective action on wells in the Area of Review (AoR)
- Injection well plugging
- Post-injection site care and site closure (PISC)
- Emergency and remedial response

Pursuant to 40 CFR 146.85, the Financial Responsibility instrument(s) must be sufficient to address endangerment of underground sources of drinking water at the geological sequestration site.

B. Estimated Coverage Amounts

Sugarberry CCS, LLC contracted with SCS Engineers (SCS) to provide a third-party estimate of Financial Responsibility for the project. To determine the costs for the coverage amounts underpinning this Financial Responsibility Demonstration, SCS used currently available price quotes (in Year 2024 dollars) and assumed the hiring of independent, third-party contractors for each Financial Responsibility activity.

- SCS used the following assumptions to estimate costs: CO₂ injection occurs for 30 years starting in Year 2026.
- It is estimated that 19 of the 19 legacy oil and gas wells will require corrective action, as outlined in the **Area of Review and Corrective Action Plan, Section 2**.
- All injection wells are converted to in-zone observation wells post-injection, monitored for 5 years, and then plugged.
- Post-injection activities include monitoring as outlined in the **Post-Injection Site Care and Site Closure Plan, Section 9** for a period of 50 years after cessation of injection.
- Site closure occurs during the year following the ending of the PISC. The cost estimate includes well maintenance/upkeep, AoR reevaluations as required, and monitoring facilities/personnel costs.

- Site closure entails plugging and abandoning all project wells as outlined in the **Well Plugging Plan, Section 8**, and restoring all well sites to original conditions.
- Emergency and Remedial Response is assumed to occur during CO₂ injection when the buildup in reservoir pressure and consequent risk of leakage is the highest. The costs for Emergency and Remedial Response include costs to promptly respond to a leak from a project well using the following actions:
 - Isolating the leaking project well,
 - Stopping CO₂ injection,
 - Controlling the leaking project well,
 - Safely disposing of any produced fluids,
 - Converting an above-zone observation well to an above-zone pressure barrier well,
 - Remediating the leaking project well, and
 - After remediating the leaking well, reconvert the above-zone pressure barrier well back to an above-zone observation well

Table 3 - 1 provides the site-specific information utilized to estimate the various Financial Responsibility costs for the Sugarberry CCS Hub.

Table 3-1. Cost Estimation Inputs for Estimating Financial Responsibility for the Sugarberry CCS Hub

Input	Value	Unit
Planned Injection Total	105	Million Metric tons CO ₂
Injection Phase	30	Years
Plume Area	32	Square miles
Area of Review	53	Square miles
Injection Wells	5	Count
In-zone Observation Wells	4	Count
Above-zone Observation Wells	3	Count
Shallow USDW Wells	2	Count
Legacy Oil and Gas Wells inside AoR	19	Count
Legacy Oil and Gas Wells Possibly Requiring Corrective Action	19	Count
PISC Phase	50	Years

Table 3-2 summarizes the total estimated project costs by Financial Responsibility Activity, assuming CO₂ injection starts in Year 2026 and continues for 30 years through Year 2056, followed by 50 years of PISC and one year for Site Closure. **Table 3-2** also provides an estimated timeline for when financial coverage is expected to be needed.

Table 3-2. Summary of Financial Responsibility Costs by Phase/Activity to be Covered by Financial Responsibility

GS Project Phase / Activity	Timeline of Coverage	Source	Total Current Cost Estimate (2024\$)
Corrective Action	Beginning in 2026	Section C.1.	12,350,000
Injection Well Plugging	2056	Table 3-5.	3,250,000
Post-Injection Site Care	2056 to 2106	Table 3-5.	67,705,000
Site Closure	2106	Table 3-5.	6,127,000
Emergency and Remedial Response	2026-2056	Table 3-6.	7,934,000
Total			97,366,000

C. Discussion of Financial Responsibility Activities and Cost Estimates

C.1. Corrective Action

As discussed in the **Area of Review and Corrective Action Plan, Section 2**, Sugarberry CCS, LLC has determined that there are 20 legacy wells in the proposed AoR. Upto 19 of these wells penetrate the confining unit and/or the storage intervals in the proposed AoR. Sugarberry CCS, LLC bases this determination on an examination of the wells (e.g., oil and gas, saltwater disposal, wastewater injection) currently residing within the AoR.

Table 3-3. Summary of Data on Wells within the AoR that Penetrate the Confining Unit

Row ID	Parameter	No API Numbers	With API Numbers	Count
<i>A+B+C+D</i>	Total Records of Penetrations within AoR	13	6	19
<i>A</i>	Records Labeled “Permitted Location” – Permit Expired	0	3	3
<i>B</i>	Records Labeled “Dry Hole – Depth Known”	8	3	11
<i>C</i>	Records Labeled “Dry Hole – Depth Unknown”	2	0	2
<i>D</i>	Records of Water Wells with Known Depths	3	0	3
<i>B+D</i>	Drilled wells (Dry Hole/Water Wells) with Known Depths Penetrating Confining Unit	11	3	14
<i>A</i>	Wells with Records (Plugging/Cementing)	0	3	3
<i>B</i>	Wells Missing Records (Completion/Plugging/Cementing)	13	0	13
<i>B+D</i>	Wells that may require corrective action excluding wells with missing depth data	11	3	14
<i>B+C+D</i>	Wells that may require corrective action including wells with missing depth data	13	3	16

Estimated well plugging costs are \$650,000 per well. This is based on a compilation of experience with plugging wells and a recent cost estimate. During corrective action planning, each well will be assessed for its current status and plugging requirements. Cost estimates will be refined to more accurately reflect the requisite activities based on individual well status. . The plugging cost estimate includes locating the well, assessing its status, and plugging to current standards. A generalized procedure for plugging is assumed as follows:

- Locate wells using ground penetrating radar or other methods.
- Prepare location and road as needed.
- Dig down to find existing surface casing.
- Attach flange to existing casing and nipple up.
- Move in drilling rig and support equipment.
- Drill out plugs in surface casing and establish that wellbore is open below surface casing.
- Carefully begin to go in hole while circulating fresh drilling mud.
- Clean out existing bore hole.
- Condition hole for logs.
- Run wireline logs.
- Trip back in hole with open ended drill pipe and plug well, cementing from total depth (TD) to surface.
- Cut off casing and weld plate onto casing.
- Move out all equipment.
- Rehabilitate location.

Re-entry and plugging costs for all 19 wells at \$650,000 per well amounts to \$12,350,000. However, not all these wells will require immediate corrective action. As the project progresses, and as the plume advances over time, the determination on which wells require corrective action will be updated. As summarized in the **Area of Review and Corrective Action Plan, Section 2**, timing of corrective action is proposed as phased and is estimated by modeling the number of wells contacted over various time periods by the advancing AOR, as shown in **Table 3-4**.

Table 3-4. Estimated Number of Wells Penetrating the Confining Unit Contacted by the AoR Over Time

Pressure Plume Extent Time Frame	Corrective Action Year	Number of Wells
0-5 year during injection phase	Before injection starts	3
5-20 year during injection phase	5 th year of injection phase	6
20-30 year during injection phase	15 th year of injection phase	7
30-80 year during injection phase	30 th year of injection phase	3
	Total	19

C.2. Injection Well Plugging

In estimating Financial Responsibility coverage values for injection well plugging, it is assumed that all five of the injection wells will first be converted to in-zone observation wells after CO₂

injection ceases. These wells will monitor pressure for five years in their respective post-injection phase. It is assumed that the injection wells will be plugged in Year 2056. Injection well plugging is detailed in the **Injection Well Plugging Plan, Section 8** and assumes filling the entire wellbore with cement, which exceeds the standards required under 16 TAC 5.203(n) and 5.205. Based on obtained 2024 plugging quotes, the injection well plugging and abandonment costs are estimated at \$650,000 per injection well for a total of \$3,250,000 for five wells (in Year 2024 dollars).

C.3. Post-Injection Site Care (PISC)

Sugarberry CCS, LLC's activities during the PISC time period are discussed in the **Post-Injection Site Care and Site Closure Plan, Section 9**. The activities include monitoring for a period of 50 years once injection ceases, on-going well maintenance, periodic reevaluation of the AoR, maintenance of associated facilities, and field personnel costs. Sugarberry CCS, LLC anticipates that the PISC activity will begin in Year 2056, after injection ceases, and continue through Year 2106. The total Financial Responsibility cost estimate for the PISC period is \$67,705,000 (in Year 2024 dollars), based on recently obtained industry estimates and independent, third-party engineering data. See **Table 3-5** for details.

C.4. Site Closure

The Financial Responsibility rules state that the well sites must be returned to original conditions, and the observation wells must be securely plugged and abandoned. Sugarberry CCS, LLC's activities for site closure, including the plugging and abandonment of project wells and site remediation, are detailed in the **Well Plugging Plan, Section 8**. It is assumed that site closure activity will occur in Year 2106. The total Financial Responsibility cost estimate for site closure is \$7,126,000 (in Year 2024 dollars), based on recent industry estimates and independent, third-party engineering data.

C.5. Emergency and Remedial Response

Evidence provided in the **Project Narrative; Section 1** indicates the Sugarberry CCS Hub has a favorable setting for geologic sequestration. Given the quality and thickness of the seal, there exists an extremely low risk of a leak above the confinement interval. Additionally, all new wells within the AoR will have been completed to federal and state standards. Nonetheless, a leakage scenario could result from a loss of mechanical integrity in the wellbore or a loss of geologic containment in the confining interval.

The Financial Responsibility estimate assumed the most likely emergency, which is a CO₂ leak from the injection interval due to the loss of mechanical integrity in an injection well. The cost estimate assumed a rapid remedial response.

Table 3-5. Estimated Costs for Post Injection Site Care / Monitoring and Site Closure

		Number of Wells	Units	Unit Basis	Cost / Unit	Total Cost	
	Injection Well Plugging						
Injection Wells		5	1	Each	650,000	3,250,000	
						Subtotal	3,250,000
						Total	3,250,000
	Post Injection Site Care & Monitoring						
	CO ₂ Injection Wells						
Operation & Maintenance		5	1	Each	38,000	190,000	
Pulsed Neutron Log		5	1	Each	26,000	130,000	
Vertical Seismic Monitoring (Repeat)		5	1	Each	476,000	2,380,000	
Final MIT		5	1	Each	78,000	390,000	
						Subtotal	3,090,000
	In-Zone CO ₂ Pressure/Plume Observation						
Operation & Maintenance		4	50	Each per Event	38,000	7,600,000	
Pulsed Neutron Log		4	10	Each per Event	26,000	1,040,000	
Vertical Seismic Monitoring (Repeat)		4	10	Each per Event	476,000	19,040,000	
Final MIT		4	1	Each	78,000	312,000	
						Subtotal	27,992,000
	Above Zone Observation						
Operation & Maintenance		3	50	Each per Event	38,000	5,700,000	
Fluid Sampling/Analyses		3	50	Each per Event	26,000	3,900,000	
						Subtotal	9,600,000
	Shallow Groundwater Observation Wells						
Operation & Maintenance		2	50	Each per Event	6,000	600,000	
Fluid Sampling/Analyses		2	50	Each per Event	4,000	400,000	
						Subtotal	1,000,000
Reservoir Monitoring		1	10	Each per Event	317,000	3,170,000	
Semi Annual Reports			100	Semi Annual	53,000	5,300,000	
						Subtotal	8,470,000
						Cursory Total	50,152,000
General & Administrative Costs			15%	Industry Standard		7,523,000	7,523,000
Contingency			20%	Industry Standard		10,030,000	10,030,000
						Total	67,705,000
	Site Closure						
	Well Plugging						
In-Zone Monitoring Wells		4	1	Each	212,000	848,000	
Above Zone Monitoring Wells		3	1	Each	159,000	477,000	

Plan revision number: V1.0
Plan revision date: May 2025

Shallow Groundwater Observation Wells	2	1	Each	21,000	42,000	
					Subtotal	1,367,000
Site Remediation	9	1	Each per Well Pad	317,000	2,853,000	2,853,000
Site Closure Report (Draft/Final)		2	Draft and Final	159,000	318,000	318,000
					Cursory Total	4,538,000
General & Administrative Costs		15%	Industry Standard		681,000	681,000
Contingency		20%	Industry Standard		908,000	908,000
					Total	6,127,000

If a leak is detected above the confinement interval, the first step will be cessation of CO₂ injection. Next, the above-zone observation well most proximal to the detected leaking injection well will be converted into a water injection well to provide a pressure barrier between the detected leak interval and USDWs. In addition, a portion of the brine in the storage interval will be produced to lower the pressure in the storage interval. This methodology is recognized by industry as best-practice for CO₂ storage projects (Kuuskraa and Godec, 2007). For more information on the specific responses to alternative emergency scenarios, please refer to the **Emergency and Remedial Response Plan, Section 10**.

The costs required to remediate an emergency-level leakage scenario are set forth in **Table 3-6** below. Cost items are generalized to account for the inherent variability of emergency and remedial response scenarios and are estimated at \$7,934,000 (in Year 2024 dollars).

Table 3-6. Costs for Emergency and Remedial Response

Cost Element	Dollars (2024\$)
Field Equipment and Labor for Rapid Response	529,000
Supply and Disposal of Water	1,058,000
Convert and Operate Above-Zone Monitor Well to Create Pressure Barrier	3,173,000
Cement Squeeze Injection Well to Restore Mechanical Integrity	1,587,000
Reconvert Pressure Barrier Well to Above-Zone Monitoring Well	1,587,000
Total	7,934,000

For deriving a cost estimate for Emergency and Remedial Response, the following cost elements were addressed: (1) field equipment and labor; (2) supply and disposition of water; (3) converting and operating an above-zone observation well to create a pressure barrier; (4) cement squeezing the injection well to restore mechanical integrity; and (5) reconverting the pressure barrier well to an above-zone observation well. It is assumed that this Financial Responsibility activity would occur during CO₂ injection when the reservoir pressure in the injection interval is higher and thus the risk of an emergency is higher.

D. Financial Responsibility Demonstration

The values included in this demonstration of Financial Responsibility are based on cost estimates detailed in Sections B and C above. These values are subject to change during the course of the project to account for inflation of costs and changes to the project that may affect the cost of covered activities. Sugarberry CCS, LLC will adjust the value of the financial instruments in response to any changes in cost estimates. All adjustments will be submitted for approval by EPA and RRC and prior to any adjustment to the coverage amounts of the financial responsibility instruments.

Sugarberry CCS, LLC intends to use a performance bond to demonstrate Financial Responsibility to both EPA and RRC for: (1) Corrective Action; (2) Injection Well Plugging; (3) Post-Injection Site Care; (4) Site Closure; and (5) Emergency and Remedial Response for the

project. The performance bond will provide appropriate assurances to EPA and RRC of Sugarberry CCS, LLC's ability to fulfill its financial responsibilities for the project. The form of the bond is provided in Attachment 1 to this Financial Responsibility Demonstration.

Consistent with EPA's July 2011 guidance, Sugarberry CCS, LLC provides this demonstration of Financial Responsibility with the understanding that the financial instruments referenced herein will be updated and verified over time. As each GS activity is initiated, Sugarberry CCS, LLC will ensure that the coverage limits provided are sufficient to cover the corresponding project costs prior to initiating the next GS project phase.

D.1 State Requirements

Sugarberry CCS, LLC was formed in 2023, received a Certificate of Filing from the Texas Office of the Secretary of State effective December 26, 2023 (File Number: 805352265), and was issued Operator No. 102245 by the RRC on May 16, 2024. Sugarberry CCS, LLC is not currently subject to reporting requirements to the U.S. Securities and Exchange Commission. To demonstrate financial responsibility in adherence with Texas requirements at 16 TAC 5.203(n), an audited financial statement for 2024 for Sugarberry CCS, LLC will be provided to RRC in 2025. Upon RRC's issuance of a Geologic Storage Facility Permit for the project, Sugarberry CCS, LLC will annually submit to RRC evidence of financial responsibility consisting of a recent report to the U.S. Securities and Exchange Commission or audited financial statement (16 TAC 5.205).

Upon RRC's issuance of the Geological Storage Facility Permit, Sugarberry CCS, LLC will submit to RRC annual updates of the cost estimate within 60 days prior to the anniversary date of the establishment of the financial instruments and within 60 days of any amendment to the **Area of Review and Corrective Action Plan, Section 2; Well Plugging Plan, Section 8; Post-Injection Site Care and Site Closure Plan, Section 9; or Emergency and Remedial Response Plan, Section 10** (16 TAC 5.205(c)(2)(E)). Sugarberry CCS, LLC will also update the face amount of a financial instrument within 60 days of an updated cost estimate indicating a cost increase and provide evidence of the update to RRC (16 TAC 5.205(c)(2)(G)).

The performance bond will be filed with RRC prior to injection, as required by 16 TAC 5.205(c)(2)(B). Sugarberry CCS, LLC will ensure that the issuer of the bond is a corporate surety authorized to do business in Texas who has a credit rating in the top four categories from either Standard & Poor's or Moody's, or a comparable rating from another credible credit rating agency. Additionally, Sugarberry CCS, LLC will ensure that the bond includes protective conditions of coverage described at 16 TAC 5.205(c)(2)(D).

References

- EPA. 2011. “Geologic Sequestration of Carbon Dioxide: Underground Injection Control (UIC) Program Class VI Financial Responsibility Guidance”. EPA 816-R-11-005. Accessed at:
https://www.epa.gov/system/files/documents/2022-11/uicfinancialresponsibilityguidancefinal072011v_0.pdf
- Kuuskraa, V. A. and Godec, M. L. 2007. Remediation of Leakage from CO₂ Storage Reservoirs: IEA Greenhouse Gas R&D Programme (IEA GHG).

Attachment 1. Form of Bond

PERFORMANCE BOND

Date bond executed:_____.

Effective date:_____.

Principal: (legal name and business address of owner or operator)_____.

Type of organization: (insert "individual," "joint venture," "partnership," or "corporation")_____.

State of incorporation:_____.

Surety(ies): (name(s) and business address(es))_____.

Permit number, name, physical and mailing addresses, and post injection storage facility care and storage facility closure, injection well plugging, emergency and remedial response, and corrective action amounts(s) for each facility guaranteed by this bond (indicate amounts separately for each facility):_____.

Total penal sum of bond: \$_____.

Surety's bond number:_____.

Know All Persons By These Presents, That We, the Principal and Surety(ies) hereto are firmly bound to The Railroad Commission of Texas in the above penal sum for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns jointly and severally; provided that, where the Surety(ies) are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sum only as is set forth opposite the name of such Surety, but if no limit of liability is indicated, the limit of liability shall be the full amount of the penal sum.

Whereas said Principal is required, under the appropriate program area, to comply with permit requirements in order to own or operate each facility identified above, and

Whereas said Principal is required to provide financial assurance for post-injection storage facility care and storage facility closure, injection well plugging, emergency and remedial response, and corrective action until the Railroad Commission of Texas has determined that the facility has reached the end of the post-injection storage facility care period, as a condition of the permit or other applicable requirements, and

Whereas said Principal shall establish a standby trust fund as is required when a surety bond is used to provide such financial assurance;

Now, therefore, the conditions of this obligation are such that if the Principal shall faithfully perform post-injection storage facility care and storage facility closure, injection well plugging, emergency and remedial response, or corrective action, whenever required to do so, of each facility for which this bond guarantees post-injection storage facility care and storage facility closure, injection well plugging, emergency and remedial response, and corrective action in accordance with the plans that comprise the permit and other applicable requirements of the permit, as may be amended, pursuant to all applicable laws, statutes, rules and regulations, as such laws, statutes, rules, and regulations may be amended,

Or, if the Principal shall provide alternate financial assurance, as specified in Texas Natural Resources Code Sec. 91.104 and obtain The Railroad Commission of Texas executive director's written approval of such assurance, within 90 days after the date of notice of cancellation is received by both the Principal and The Railroad Commission of Texas executive director from the Surety(ies), then this obligation shall be null and void, otherwise it is to remain in full force and effect.

The Surety(ies) shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described above.

Upon notification by The Railroad Commission of Texas executive director that the Principal has been found in violation of the post-injection storage facility care and storage facility closure, injection well plugging, emergency and remedial response, or corrective action requirements for a facility for which this bond guarantees performance of post-injection storage facility care and storage facility closure, injection well plugging, emergency and remedial response, or corrective action, the Surety(ies) shall either perform post-injection storage facility care and storage facility closure, injection well plugging, emergency and remedial response, or corrective action in accordance with the applicable requirements of the permit, or place the amount guaranteed for the facility in the standby trust fund as directed by The Railroad Commission of Texas executive director.

Upon notification by The Railroad Commission of Texas executive director that the Principal has failed to provide alternate financial assurance, as specified in Texas Natural Resources Code Sec. 91.104, and obtain written approval of such assurance from The Railroad Commission of Texas executive director during the 90 days following receipt by both the Principal and The Railroad Commission of Texas executive director of a notice of cancellation of the bond, the Surety(ies) shall place funds in the amount guaranteed for the facility(ies) into the standby trust fund.

The surety(ies) hereby waive(s) notification of amendments to the plans that comprise the permit and other applicable requirements of the permit, applicable laws, statutes, rules, and regulations and agrees that no such amendment shall in any way alleviate its (their) obligation on this bond.

The liability of the Surety(ies) shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penal sum of the bond, but in no event shall the obligation of the Surety(ies) hereunder exceed the amount of said penal sum.

The Surety(ies) may cancel the bond in accordance with 16 Tex. Admin. Code § 5.205 (c)(2)(D)(iii) by sending notice of cancellation by certified mail to the owner and operator and to The Railroad Commission of Texas executive director provided, however, that cancellation shall not occur during the 120 days beginning on the date of receipt of the notice of cancellation by both the Principal and The Railroad Commission of Texas executive director, as evidenced by the return receipts.

The principal may terminate this bond by sending written notice to the Surety(ies), provided, however, that no such notice shall become effective until the Surety(ies) receive(s) written authorization for termination of the bond by The Railroad Commission of Texas executive director.

(The following paragraph is an optional rider that may be included but is not required.)

Principal and Surety(ies) hereby agree to adjust the penal sum of the bond yearly so that it guarantees a new post-injection storage facility care and storage facility closure, injection well plugging, emergency and remedial response, or corrective action amount, provided that the penal sum does not increase by more than 20 percent in any one year, and no decrease in the penal sum takes place without the written permission of The Railroad Commission of Texas executive director.

In Witness Whereof, The Principal and Surety(ies) have executed this Performance Bond and have affixed their seals on the date set forth above.

The persons whose signatures appear below hereby certify that they are authorized to execute this surety bond on behalf of the Principal and Surety(ies).

Principal

(Signature(s)) _____

(Name(s)) _____

(Title(s)) _____

(Corporate seal)

(Corporate Surety(ies))

(Name and
address)_____

State of Incorporation:_____

Liability limit: \$_____

(Signature(s))_____

(Name(s) and title(s))_____

(Corporate seal)

(For every co-surety, provide signature(s), corporate seal, and other information in the same
manner as for Surety above.)