



CLASS VI PERMIT FINANCIAL ASSURANCE DEMONSTRATION

40 CFR 146.85

LAPIS ENERGY (AR DEVELOPMENT) LP
PROJECT BLUE
EL DORADO, ARKANSAS

Prepared By:
GEOSTOCK SANDIA, LLC

Revision No. 2 – RAI No. 1
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1.0 FACILITY INFORMATION

Facility/Project Name: El Dorado Chemical Company / Lapis Energy
Project Blue Class VI Injections Well No. 1 and No. 2

Facility/Project Contact: Stijn Konings, Chief Geoscientist
5420 LBJ Fwy, Bldg. 2
Suite 1330
Dallas, Texas 75240
(972) 757-6529 / skonings@lapisenergy.com

Well Locations: Union County
El Dorado, Arkansas
Project Blue Class VI Injection Well No. 1
Latitude Coordinate (NAD-83): 33.2613614642
Longitude Coordinate (NAD-83): -92.6911515334

Project Blue Class VI Injection Well No. 2
Latitude Coordinate (NAD-83): 33.2613625494
Longitude Coordinate (NAD-83): -92.6909878157

Lapis Energy (“Lapis” or the “Company”) is providing financial responsibility pursuant to 40 CFR 146.85.

Lapis has researched financial instrument alternatives and intends to implement surety bonds or Trust instrument(s) to cover (a) the costs of corrective action, (b) injection well plugging, and (c) post-injection site care and site closure. For emergency and remedial response, the Company intends to secure a site pollution insurance policy crafted to our project specific needs and meeting UIC Program Director 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 1**.

Table 1. Cost Estimates for Activities to be Covered by Financial Responsibility

Activity	Total Cost (\$)
Corrective Action	\$0
Plugging Injection Wells (including 20% contingency)	\$608,680
Post-Injection Site Care and Site Closure (inc. 20% contingency)	\$4,545,932
Emergency and Remedial Response	\$8,136,742

Explanation of the cost estimates listed in Table 1.:

- Corrective Action – The estimate is \$0. With the evolution of our project plan, Lapis will be conducting its correction action work scope prior to injection. Lapis will be conducting work on one previously plugged oil & gas well on the LSB property (EDC #1), meeting the Corrective Action standards including reporting requirements, to the EPA.
- Plugging Injection Wells – An itemized third-party estimate is provided through the Geologic Sequestration Data Tool as confidential information.
- Post-Injection Site Care & Closure (“PISC”) – An itemized third-party estimate is provided the Geologic Sequestration Data Tool as confidential information.

The combined Plugging Injection Wells and PISC cost exposure totals \$5,154,612 in today’s dollars. Lapis is permitting the post-injection and site closure activities to begin twenty years after the commencement of operations.

Applying a 2% inflation factor for the combined Plugging + PISC costs, based on the current cost estimates and the projected timing of cash deployment within our proposed monitoring plan, equates to a future inflated exposure of \$14,891,859.

- Emergency and Remedial Response – Lapis has quantified two worst case scenarios, addressing a breach in confinement and subsequent CO₂ leakage into the Tokio Formation, and ultimately into the lowest USDW zone, the Wilcox formation. An itemized third-party

specifically for companies that have submitted Class VI permit applications or are in process of doing so, to address the following:

1. Corrective action on wells in the AoR, described at 40 CFR 146.84
2. Injection well plugging, described at 40 CFR 146.92
3. Post-injection site care and site closure, described at 40 CFR 146.93
4. Emergency and remedial response activities, described at 40 CFR 146.94

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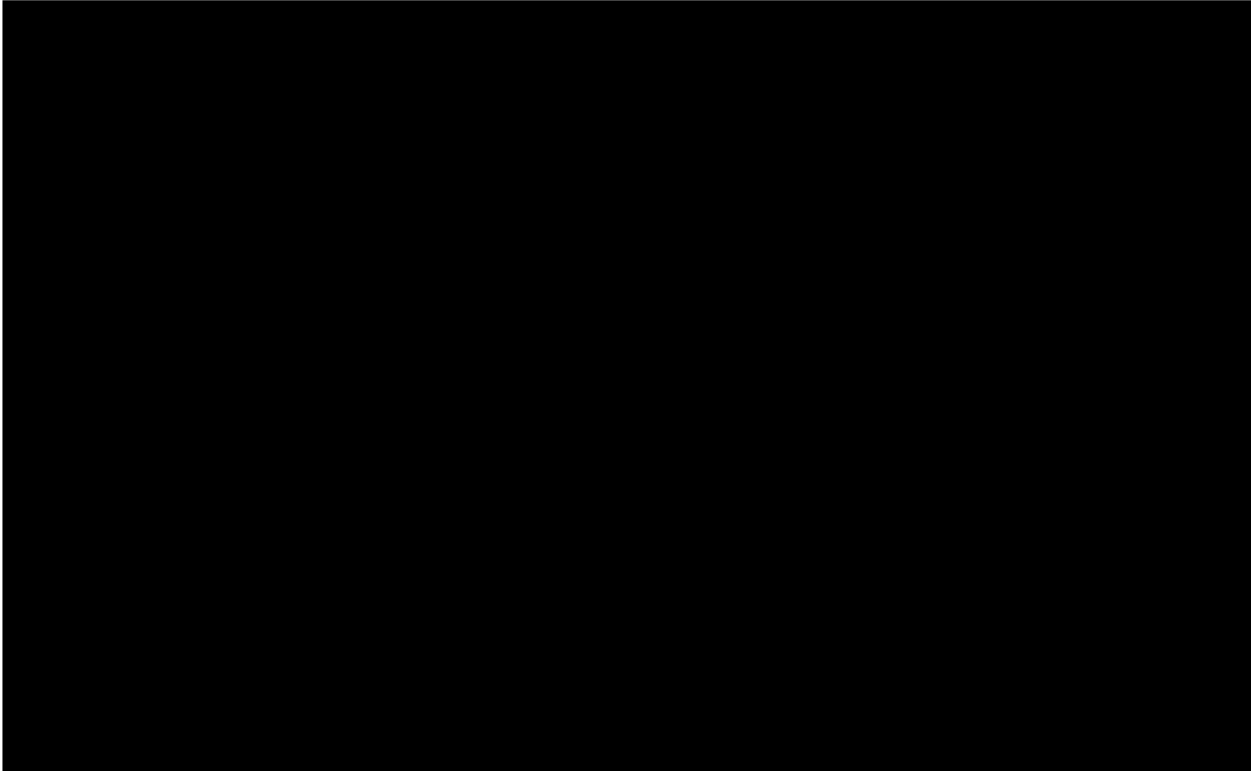
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