

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

NOTICE TO OPERATORS

Organization Financial Assurance Bond Forms Revised

The Railroad Commission has adopted changes to three bond forms used for filing financial assurance with the annual Form P-5 Organization Report: **Form P-5PB(1) Individual Performance Bond**, **Form P-5PB(2), Blanket Performance Bond**, and **Form P-5IWB Individual Well Bond**. The revisions address several issues that have recently been raised by operators and surety companies and are summarized below.

Please note that bonds filed on previous versions of these forms are still acceptable. It is not necessary to resubmit existing bonds on these revised forms.

For Individual Performance, Blanket Performance and Individual Well Bonds:

- Language that could have arguably held a surety responsible for conditions even after a property was properly transferred to another operator was eliminated.
- The time that the surety has to remedy a failure before payment is demanded was increased from 30 days to 60 days.
- A space for physical address of the surety was added in addition to the mailing address to facilitate sending notices by priority mail

For Individual Performance and Blanket Performance Bonds:

- The “two year tail” was eliminated and the expiration date of the bonds were extended from 60 days to 150 days beyond the P-5 renewal date. The “tail” was the time period beyond the expiration date of the bond for the Commission to make demand for violations that occurred during the term of the bond. With the tail eliminated, the additional days in the term are required to allow for remedies by the operator or surety, or claims to be registered by the Commission in the event that an operator with well or activities does not renew the Form P-5. Under the conditions of the revised bonds, the surety will be notified on the 60th day after the operator’s failure to renew, and will have until the 120th day to remedy the situation. If not remedied, then the Commission will demand payment on the 121st day, at which time payment must be made within 30 days.
- A space was added to the top of the form for the surety to enter the bond number.

Copies of the revised bond forms will be included in the annual P-5 renewal packets mailed to operators prior to their Form P-5 renewal due date. The revised forms can also be downloaded from the Railroad Commission web site at www.rrc.state.tx.us.

If you have any questions regarding P-5 financial assurance requirements or these bond form changes you may contact the P-5 Section P5@rrc.state.tx.us or by phone at (512) 463-6772.

Austin, Texas

July 2002

PLEASE FORWARD TO THE APPROPRIATE SECTION OF YOUR COMPANY