

KCC LICENSE APPLICATION

General Information & Instructions Packet for New Licenses

GENERAL INFORMATION

K.S.A. 55-155, K.A.R. 82-3-120: OPERATOR, CONTRACTOR, GAS GATHERER, OR GAS STORAGE LICENSES

Applications for licensing shall be notarized and filed with the KCC, showing:

- (1) The name under which the applicant transacts or intends to transact business and the correct mailing address of that business. If the applicant is a partnership or association, the application shall set forth the name and address of each partner or member of the partnership or association. If the applicant is a corporation, the application shall contain the names and addresses of the principal officers.
 - (a) "OPERATOR" means a person(s) who is (are) responsible for the overall operation and control of oil or gas well(s), lease(s), gas gathering, and/or storage facility.
 - (b) "Contractor" means any person who acts as an agent for an operator as a drilling, plugging, service rig, cathodic, or seismic contractor, in such operator's oil and gas operations.
 - (c) "Equipment" is defined as a crane-type machine or any well servicing unit. The Commission will issue an identification tag which must be displayed on equipment for which it is issued.
- (2) K.S.A. 55-155 (c)(2). Submit evidence that all current and past year's taxes for property associated with the drilling or servicing of wells has been paid.
- (3)
 - (a) Pay an annual license fee of \$100.00 plus \$25.00 for each piece of drilling or well servicing equipment. The Commission will issue an identification tag, which must be displayed on equipment for which it is assigned. OR
 - (b) Pay an annual personal use license fee of \$25.00 for gas wells for personal use on the property where the well(s) are located.
- (4) Provide the Commission with financial assurance, as instructed in K.A.R. 82-3-120, upon license application, and license renewal application.
- (5) A License remains active for a period of one year unless suspended or revoked, and the license must be renewed annually.

INSTRUCTIONS

- Item 1** Check type(s) of license applicable to your operation. If gas gatherer is checked, a map of your gathering systems must be provided in accordance with K.A.R. 82-3-310, with a scale of 1" per 2 miles.
- Item 2** Check type of entity that applies to your operation.
Enter your Federal Employer Identification Number or Social Security Number.
ALL CORPORATIONS AND LIMITED PARTNERSHIPS must be currently in good standing and authorized to engage in business by the Office of the Secretary of State of Kansas and you must furnish a Certificate of Good Standing from the Secretary of State Office.
- Item 3** Check either Yes or No.
- Item 4** Enter the name of your Kansas Registered Resident Agent for your Corporation or Limited Partnership.
- Item 5** Enter principal officers of a corporation. For limited partnerships, general partnerships, or associations, list names applicable to same.
- Item 6** Emergency Contact person: Must be other than licensee with alternate home address and home phone. This is to be an alternate person in case of a lease emergency. An individual living out of Kansas will be accepted only if no suitable in-state individual exists.
- Item 7 & 8** If you, as an individual, partner, or officer, had a KCC Conservation Division License revoked, or if you are past due and owing or not in compliance with a KCC Conservation Division penalty order, attach an enclosed statement as requested.
- Item 9** ATTACH a copy of your PROPERTY RENDITION FORM AND PAID TAX RECEIPT(S) IDENTIFYING and DESCRIBING ONLY the drilling or well servicing equipment on which the identification tag is to be displayed. [K.S.A. 55-155 (c)(2)]. KCC will assign your tag number. You will identify your equipment from your tax receipt.
- Item 10** Your annual LICENSE fee is \$100.00, each TAG fee is \$25.00, the annual PERSONAL USE license fee is \$25.00. FINANCIAL RESPONSIBILITY can be determined in accordance with K.S.A. 55-155.
- Item 11** Signature on the application must be an officer/agent or authorized individual for verification of information being submitted.
- Item 12** Your signature must be notarized.
- Item 13** Attach a Well Inventory (Form OWI-1) and check the "Attached" box. If you currently do not operate any wells check the "No Wells" box.
If during the year of your license, you have any changes from this original application, you must so notify this office in writing.

ALL REQUESTED INFORMATION ON THIS APPLICATION MUST BE PROVIDED OR YOUR APPLICATION WILL BE RETURNED TO YOU AS INCOMPLETE.

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FINANCIAL ASSURANCE FOR KANSAS OIL & GAS OPERATORS

Under K.S.A. 55-155(d), Kansas oil and gas operators are required to provide financial assurance in order to obtain or renew a license.

COMMON OPTIONS FOR PROVIDING FINANCIAL ASSURANCE

1) **Obtain a Blanket Performance Bond or Letter of Credit (K.S.A. 55-155(d)(2)).**

Under this option, the operator must obtain a bond or letter of credit in an amount determined by the number and depth of wells on the license as follows:

Wells less than 2,000 feet in depth		Wells 2,000 feet or more in depth	
1-5 wells	\$7,500	1-5 wells	\$15,000
6-25 wells	\$15,000	6-25 wells	\$30,000
Over 25 wells	\$30,000	Over 25 wells	\$45,000

An operator with wells in each category must provide financial assurance totaling the amount needed for each category.

2) **Pay a Non-Refundable Annual Fee Equal to 6% of the Amount of the Bond/Letter of Credit Under Option 1 Above. (K.S.A. 55-155(d)(4)).**

Under this option, the monetary amounts are as follows:

Bond/Letter of Credit of	\$7,500	=	Non-Refundable Fee of	\$450
Bond/Letter of Credit of	\$15,000	=	Non-Refundable Fee of	\$900
Bond/Letter of Credit of	\$22,500	=	Non-Refundable Fee of	\$1,350
Bond/Letter of Credit of	\$30,000	=	Non-Refundable Fee of	\$1,800
Bond/Letter of Credit of	\$37,500	=	Non-Refundable Fee of	\$2,250
Bond/Letter of Credit of	\$45,000	=	Non-Refundable Fee of	\$2,700
Bond/Letter of Credit of	\$52,500	=	Non-Refundable Fee of	\$3,150
Bond/Letter of Credit of	\$60,000	=	Non-Refundable Fee of	\$3,600
Bond/Letter of Credit of	\$75,000	=	Non-Refundable Fee of	\$4,500

3) **Provide a Bond or Letter of Credit in an Amount Equal to \$0.75 Times the Total Aggregate Depth of All Wells on the License (K.S.A. 55-155(d)(1)).**

FINANCIAL ASSURANCE – ADDITIONAL CONSIDERATIONS

- Once a method of financial assurance is selected, that method must remain in place until the next license renewal.
- Operators with no wells are not required to pay financial assurance.
- If at any time during the year the number or depth of wells increases such that the amount of financial assurance on the license is inadequate, the operator must immediately provide the required additional financial assurance.
- Operators with an acceptable record of compliance (fewer than 5 violations, less than \$3,000 in fines) demonstrated during the preceding 36 months may pay a non-refundable fee of \$100 in lieu of other financial assurance.

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INSTRUCTIONS FOR LETTERS OF CREDIT

Standard Letter: The attached sample Letter of Credit must be followed. Pre-printed letters of credit containing most of the terms shown here are satisfactory if the remaining terms are included under a special provision section. The Letter of Credit must be an irrevocable Letter of Credit, payable only upon the Commission's drafts.

Kansas Banks: Letters of Credit will only be accepted from banks or banking institutions authorized to do business in Kansas.

Signature Requirements:

The following must accompany the Letter of Credit.

- A Corporate Secretary's Certificate, bearing the bank's seal, as to the bank's Board of Directors' resolution establishing authorization of officer positions to execute Letters of Credit.
- Incumbency Certificates, as needed.

Amount of Letter of Credit:

Please see "Financial Assurance for Kansas Oil & Gas Operators," which appears on the preceding page of this information and instruction packet.

INSTRUCTIONS FOR PERFORMANCE BONDING

- To obtain a performance bond, contact your insurance agent or surety company.
- The performance bond must be written by a surety company authorized to write performance bonds in the state of Kansas.
- The performance bond is to be filed with the Kansas Corporation Commission, Conservation Division, 266 N. Main St., Suite 220, Wichita, Kansas 67202-1513, phone (316) 337-6200.
- A sample performance bond is attached.

Penal Sum of Performance Bond:

Please see "Financial Assurance for Kansas Oil & Gas Operators," which appears on the preceding page of this information and instruction packet.

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– SAMPLE –

(Issuing Bank's Letterhead)

(Date)

IRREVOCABLE LETTER OF CREDIT

LETTER OF CREDIT NO. *(reference number)*

Kansas Corporation Commission
Conservation Division
266 N Main St, Ste 220
Wichita, KS 67202-1513

We hereby establish, effective immediately, by order and for the account of *(name and address of operator)*, our irrevocable Letter of Credit No. *(reference number)* up to aggregate amount of U.S. \$ *(numeric and written total amount of the credit)* in favor of Kansas Corporation Commission, Conservation Division and available by your drafts drawn on us at sight.

We hereby engage with you that drafts drawn and presented by you in accordance with the terms of this Credit will be duly honored by us if presented to us at our Letter of Credit Section at *(address)* by *(expiration date)*; *(expiration date must be at least 120 days from the last day of the month the operator's license or renewal is issued)* or prior to any subsequent expiration as provided herein.

Except as otherwise provided herein, drafts drawn hereunder must be marked "Drawn Under" *(name of bank)* Letter of Credit No. *(reference number)* dated *(effective date)* and accompanied by a copy of a Kansas Corporation Commission Order requiring *(name of operator)* to plug a well(s) within the state of Kansas and a statement from the Director or Litigation Counsel of the Commission that the well(s) have not been plugged as required by the Commission Order.

The original Letter of Credit and all amendments, if any, must be presented at the time of any drawings hereunder for our endorsement.

It is a condition of this Letter of Credit that it shall be automatically extended for additional terms of one (1) year from the present or each future expiration date, unless we give you and *(name of operator)* at least one-hundred twenty (120) days before said expiration date written notice by certified mail, return receipt requested, or hand delivery, that we elect to terminate this Credit at the end of its then current term.

(NOTE: Letter of Credit must be accompanied by a Certificate of Authority or Board of Directors' minutes certifying that the signatory is authorized by the Board of Directors to execute Letters of Credit on behalf of the bank.)

(Typed Name and Title)

(Signature)

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General Information & Instructions Packet for New Licenses

PERFORMANCE BOND

State of Kansas
Kansas Corporation Commission
Conservation Division
266 N Main St, Ste 220
Wichita, KS 67202-1513

PERFORMANCE BOND

BOND NO. _____

KNOW ALL MEN BY THESE PRESENTS, that we, _____,
of the County of _____ in the State of _____ as principal, and
_____ as surety, authorized to do business in the State of Kansas,
are held hereby and firmly bound unto to the State of Kansas, in the penal sum of (\$ _____),
_____ dollars, lawful money of the United States, for the faithful payment
of which we hereby bind ourselves, our heirs, executors, administrators and assigns.

Whereas the above bounden principal is or will be responsible for oil, gas, injection, disposal or service well(s)
as the operator within the State of Kansas.

NOW, THEREFORE, IF THE ABOVE BOUNDEN PRINCIPAL SHALL COMPLY WITH ALL OF THE
PROVISIONS OF THE LAWS OF THE State of Kansas, and the rules, regulations, and requirements of the
Kansas Corporation Commission, Conservation Division of the State of Kansas, with reference to plugging
and remediation of all wells, for which the principal is responsible, then this obligation is void; otherwise, shall
be and remain in full forces and effect.

PROVIDED, HOWEVER, That sixty (60) days after receipt by the State of Kansas, Kansas Corporation
Commission, notice of cancellation from the Surety, the obligation of the Surety hereunder shall terminate as to
the wells acquired, drilled, or started after said sixty (60) day period but shall continue in effect, notwithstanding
said notice, as to wells acquired, drilled or started before the end of said sixty (60) day period.

Witness our hands, this ____ day of _____, 20_____.

Principal _____

Signature of Principal

Seal

Surety _____

Signature of Attorney-in-Fact

Seal

*(If the principal is a corporation, the bond should be executed by its duly authorized officers. When principal or
surety executes this bond by agent of attorney-in-fact, the evidence of authority must accompany this bond.)*