

**STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS**

STATEWIDE OIL AND GAS BOND

KNOW ALL MEN BY THESE PRESENTS that we,

as principal, and

whose address is

as surety, are held and firmly bound unto the State of Alaska in the sum of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00), lawful money of the United States for the use and benefit of (1) the State of Alaska, (2) any owner of a portion of the land subject to the coverage of this bond who has a statutory right to compensation in connection with a reservation of the oil and gas deposits to the State of Alaska, and (3) any lessee or permittee under a lease or permit issued by the State of Alaska prior to the issuance of an oil or gas lease for same land subject to this bond, covering the use of the surface or the prospecting for or development of other mineral deposits in any portion of such land, to be paid to the State of Alaska. For such payment, well and truly to be made, we bind ourselves and each of us and each of our heirs, executors, administrators, successors and assigns, jointly and severally by these presents.

THE CONDITIONS of the foregoing obligations are such that, WHEREAS:

- A. The principal in one or more of the following ways has an interest in oil and gas leases on lands of the State of Alaska under the jurisdiction of the Department of Natural Resources: (1) as the lessee of such leases, (2) as the approved holder of operating rights in all or part of the lands covered by such leases under operating agreements with the lessee, and (3) as designated operator or agent under such leases pending approval of an assignment or operating agreement; and,
- B. The principal is authorized to drill for, explore for, develop, produce, process, and market oil and gas deposits in or under the lands covered by such leases and is obligated to comply with certain covenants and agreements set forth in such leases; and,
- C. The principal and surety agree that the coverage of this bond shall extend to all of the principal's holdings under such leases in the State of Alaska, and without notice to the surety shall also extend to and include:
 - 1. Any such oil and gas lease hereafter issued to or acquired by the principal, the coverage to become effective immediately upon such issuance or upon approval by the State of Alaska of a transfer in favor of the principal; and,

2. Any such operating agreement hereafter entered into or acquired by the principal, the coverage to become effective immediately upon approval by the State of Alaska of the agreement or of a transfer of such an agreement to the principal; and,
3. Any designation hereafter or the principal as operator or agent of a lessee under such a lease, the coverage to become effective immediately upon the filing of such a designation with the State of Alaska; and,
4. Any extension of a lease covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease;

Provided however, that the surety may elect to have additional coverage authorized under this Paragraph C, to become inapplicable as to all interests of the principal acquired more than 30 days after the receipt of written notice of such election by the Division of Oil and Gas; and,

- D. The surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:
1. A transfer or transfers, either in whole or in part, of any or all of the leases or of the operating agreements, and further agrees to remain bound under this bond as to the interests, either in the leases or in the operating agreements or in both, retained by the principal when the approval of the transfer or transfer becomes effective; and,
 2. Any modification of a lease or operating agreement or obligations thereunder whether made or effected by commitment of such lease or operating agreement to unit, cooperative, communitization, or storage agreements, or development contracts, suspensions of operations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and,
- E. The principal and surety agree that notwithstanding the termination of any lease or leases, operating agreements, or designations as operator or agent covered by this bond, whether the termination, in part or wholly is by operation of law or otherwise, the bond shall remain in full force and effect as to all remaining leases, operating agreements, or designations covered by this bond; and,
- F. The principal, as to any lease or part of a lease for lands as to which he has been designated as operator or agent or approved as operator in consideration of being permitted to furnish this bond in lieu of the lessees, agrees and by these presents does hereby bind himself to fulfill on behalf of each lessee all the obligations of each such lease for the entire leasehold in the same manner and to the same extent as though he were the lessee; and,
- G. The principal and surety agree that the neglect or forbearance of the lessor, in enforcing against the lessees of such lessor the payment of rentals or royalties or the performance of any other covenant, conditions, or agreement of the leases, shall not in any way release the principal and surety, or either of them, from any liability under this bond; and,

H. The principal and surety agree that, in the event of any default under the leases, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety or either of them without the necessity of joining the lessees.

NOW THEREFORE, if said principal shall in all respects faithfully comply with all of the provisions of the leases referred to hereinabove, then the above obligations are to be void; OTHERWISE, to remain in full force and effect.

Dated this _____ day of _____, 20____.

APPROVAL AND ACCEPTANCE BY THE STATE OF ALASKA

By: _____ Dated: _____

Department of Natural Resources, Division of Oil and Gas

INSTRUCTIONS:

1. The surety on the bond may be any corporation qualified to issue performance and reclamation bonds in the State of Alaska.
2. If the principals are partners, their individual names shall appear in the spaces provided, with recital that they are partners comprising a firm, naming it, and all members of the partnership shall execute the bond as individuals.
3. Where this bond is executed by a corporation, either as surety or as principal, the bond must be executed by a duly authorized officer, and the individual signing must submit evidence of their authority to act for the corporation.
4. When any party executes this bond through an agent, a power of attorney or other evidence of authority must accompany this bond.