

Guidelines for Letter of Credit

{Required Wording for Letter of Credit to Meet the Bonding Requirements For Plugging and/or Reclamation of Oil and Gas Wells Permitted by the State Oil and Gas Program of The Tennessee Department of Environment and Conservation pursuant to Tennessee Rule Chapter 0400-52-01-.05(5). The letter of credit must be worded as follows, except that instructions in parenthesis are to be replaced with the relevant information and the parenthesis deleted. The letter of credit should be submitted on bank letterhead.}:

{Stationary of issuing bank}
{Address and Telephone Number of the Bank}

IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

Supervisor
State Oil and Gas Program
Or
Commissioner
Tennessee Department of Environment and Conservation

Dear Sir or Madame:

We hereby establish our Irrevocable Standby Letter of Credit No. _____ in your favor, at the request and for the account of (insert: Owner's or Operator's name and address) up to the aggregate amount of (insert: amount in words) U.S. Dollars, (insert: Amount in numbers), available upon presentation of

1. Your sight draft, bearing reference to this letter of credit No. _____, and,
2. Your signed statement reading as follows: "I certify that the amount of the draft is payable pursuant to regulations issued under the authority of Tennessee Code Annotated § 60-1-202, as amended".
3. The original letter of credit.

This letter of credit is effective as of (insert: date) and shall expire on (insert: date of one year later), but such expiration date shall be automatically extended for a period of one year on the expiration date (insert: initial expiration date) and on each successive expiration date unless, at least 120 days before the current expiration date, we notify you by certified mail that we have decided not to extend this letter of credit beyond the current expiration date. In the event you are so notified, any unused portion of the credit shall be available upon presentation of your sight draft for 120 days after the date of receipt by you, as shown on the signed return receipt.

Whenever this letter of credit is drawn on under and in compliance with the terms of this credit, we shall duly honor such draft upon presentation to us, and we shall forfeit the amount of the draft to the State Oil and Gas Program of the Tennessee Department of Environment and Conservation in accordance with your instructions.

We certify that the wording of this letter of credit is identical to the wording provided us by the State Oil and Gas Program of the Tennessee Department of Environment and Conservation.

(Signature(s)) _____

{Name(s)} Printed _____ Title _____

_____ Title _____

{Corporate Seal}:

Date of Signatures(s): _____

This credit is subject to (insert **either** "the most recent edition of the Uniform Customs and Practice for Documentary Credits, published and copyrighted by the International Chamber of Commerce," **or** "the Uniform Commercial Code").

NOTE TO ISSUING BANK: The letter of credit should be issued under only one of the two sets of guidelines listed above (UCC/UCP). A letter of credit that meets the requirements of the Division of Water Resources will read:

1. This credit is subject to the most recent edition of the Uniform Customs and Practices for Documentary Credits, published and copyrighted by the International Chamber of Commerce.

OR

2. This credit is subject to the Uniform Commercial Code.

The bank should consult its legal counsel as to which set of guidelines is applicable.