

## MEMORANDUM

**TO:** CBM Operators Bonding reservoirs

**FROM:** Department of Environmental Quality, Water Quality Division, Wyoming Pollutant Discharge Elimination System (WYPDES) Program

**SUBJECT:** Letters of Credit

Each Letter of Credit issued shall meet the following criteria:

- a. The Letter of Credit must be irrevocable during its term. It may be automatically renewable from year to year or it may be written for a specific initial term. If necessary, replacement instruments can be prepared within the 90 days prior to expiration.
- b. The Letter of Credit shall be for a sum certain that will correspond to the bond amount determined pursuant to the "Implementation Guidance for Reclamation and Bonding of On-Channel Reservoirs that Store Coal Bed Natural Gas Produced Water".
- c. The Letter of Credit must designate in whose account it is offered with the specific designation to the reservoir name, location and permit number.
- d. The Letter of Credit must be payable to the Department of Environmental Quality in full upon demand and receipt from the director of the department, of an order of forfeiture issued by the Wyoming Environmental Quality Council in accordance with reclamation and bonding guidance issued by the Water Quality Division on August 19, 2005. The order of forfeiture is the only document needed to draw on the Letter of Credit.
- e. There must be an indemnity agreement between the operator and the bank which requires the operator to pay dollar for dollar any amount the bank is required to pay the Department of Environmental Quality on the Letter of Credit.
- f. There must not be any questions whether the letter of credit is a banking transaction as opposed to a surety agreement or other form of insurance. The issuing bank should confirm that its charter allows it to issue letters of credit in the form we require.

- g. The Letter of Credit shall not be in excess of ten percent (10%) of the bank's capital surplus account as shown on a balance sheet certified by a certified public accountant. **Attach a copy of the balance sheet for the current fiscal year.**
- h. The Letter of Credit may only be issued by a bank organized to do business in the U.S. The bank has to be a stand alone entity in the U.S. and cannot be just a branch of a foreign bank.
- i. The Letter of Credit should be issued on letterhead and/or bank safety paper.

The attached sample Letter of Credit contains the necessary language to meet our requirements.

**DOCUMENT NEEDS TO BE TYPED VERBATIM**

**bank letterhead**

IRREVOCABLE LETTER OF CREDIT NO. \_\_\_\_\_

Date of Issue:

Date of Expire:

Beneficiary: Wyoming Department of Environmental Quality

Amount:

Gentlemen:

We hereby establish our irrevocable letter of credit in your favor, available by your drafts at sight drawn on \_\_\_\_\_ Bank at \_\_\_\_\_, accompanied by the following document:

A signed and dated statement from the Director of the Department of Environmental Quality and the Water Quality Administrator in any one of three following forms:

a. "The undersigned hereby advise that an order in an amount identical to the amount of the sight draft which this statement accompanies has been entered by the Environmental Quality Council pursuant to W.S. §35-11-421, forfeiting all or part of the amount of the credit because of any violation of the Wyoming Environmental Quality Act, by \_\_\_\_\_, Reservoir Name \_\_\_\_\_. A certified copy of the order of forfeiture is attached."

b. "The undersigned hereby advise that a Settlement Agreement in an amount identical to the amount of the sight draft which this statement accompanies has been signed on behalf of the Department of Environmental Quality and on behalf of the operator, \_\_\_\_\_, Reservoir Name \_\_\_\_\_, in which the parties have agreed to an amount due to the Department because of a violation of the Wyoming Environmental Quality Act, and that \_\_\_\_\_ has failed to pay the amount due within the period of time specified in the agreement."

c. "The undersigned certify that the operator \_\_\_\_\_, Reservoir Name \_\_\_\_\_, has not filed with the Department an extension of this

letter of credit, a substitute letter of credit or other acceptable evidence of financial responsibility in the place of the letter of credit; and that it is thirty (30) days or less until the current or any amended expiration date of this Irrevocable Letter of Credit.

Pursuant to Chapter XII, Water Quality Division Noncoal Regulations, the bank shall give immediate notice to the permittee and the director of the Department of Environmental Quality of: (a) any notice received or action filed alleging the insolvency or bankruptcy of the bank; or (b) alleging any violations of regulatory requirements which could result in suspension or revocation of the bank's charter or license to do business; or (c) the bank, for any reason, becomes unable to fulfill its obligation under the letter of credit.

Each draft must bear upon its face the clause "Drawn under Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, and the total of this draft and all other drafts previously drawn under this Letter of Credit does not exceed \_\_\_\_\_."  
(Fill in Amount)

**\*\*NOTE: INSERT EITHER PARAGRAPH A OR B**

**\*\*A)** It is a condition of this Letter of Credit that it shall be deemed automatically extended without amendment for one year from the present or any future expiration date hereof, unless ninety (90) days prior to any such date we shall notify the Director of the Wyoming Department of Environmental Quality in writing by overnight courier service at the above mentioned address that we elect not to consider this Letter of Credit renewed for any such additional period. Upon receipt by you of such notice, you may draw hereunder.

**\*\*B)** If this Letter of Credit is not extended or replaced by another Letter of Credit of equal or larger amount at least ninety (90) days prior to its expiration, this bank shall so notify the Director of the Wyoming Department of Environmental Quality in writing by overnight courier service at least ninety (90) days prior to the scheduled expiration date.

We hereby agree with you that drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored if presented to the above-mentioned drawee bank on or before \_\_\_\_\_.  
(Insert "Expiration Date")

All questions arising in connection with this letter of credit shall be determined according to the laws of the state of Wyoming.

This letter of credit is subject to the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500, except to the extent it is inconsistent with the laws of Wyoming.

Very truly yours,  
(FOR ISSUER)

\_\_\_\_\_  
Official Signature

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_