

Closure Cost Estimate and Financial Assurance Telluride AST

Solaris will install the AST CONTAINMENT on a pad constructed on Federal surface. Solaris has negotiated a provision for reclamation of the pad with the BLM and evidence of this provision is attached and presented below. Thus, there is no “reclamation” cost associated with reclamation of the pad.

From: Chavez, Brittany G <bjchavez@blm.gov>
Sent: Thursday, April 2, 2020 10:02 AM
To: Alyssa McGuire <Alyssa.McGuire@solarismidstream.com>
Cc: Gomez, Robert <rgomez@blm.gov>
Subject: Re: [EXTERNAL] RE: NM-140503 Amendment

Good Morning Alyssa,

Per our phone conversation NM-140503(A) will require a surety bond of \$25,000.00 I have attached the form that needs to be completed. When mailing it in you may address it to the Realty Department. Should you have any further questions or concerns please feel free to reach out to me. Thank you and have a great day.

Sampling beneath the containment in accordance with Subsection C of 19.15.34.14 of Rule 34 is required. The sampling program would include an EM survey at a cost about \$1500. The EM survey would identify any high salinity soil beneath the AST footprint and the pad. EM evaluation of the nearby pasture would provide a baseline to compare findings. Sampling beneath the AST footprint would occur as well as any areas where the EM survey suggests high salinity. Sampling beneath the AST footprint would be a 5-point composite sample in conformance with the Rule. The sampling program with laboratory analysis would cost less than \$5,000. Thus, the total cost of closure sampling is about \$6,500

The Rule suggests that after the containment is closed reclamation begins. Thus, the “closure cost” does not include reclamation and revegetation to the condition that existed prior to construction – because, as stated above, reclamation of the pad is managed by the BLM and there is a provision for a failure to perform.

“Closure cost” could include the cost of disassembly and removal of the AST. This AST is a rental, not owned by Solaris. The cost of removal of an AST is about \$15,000 per communications with various AST rental companies. The cost of a used 60,000 bbl AST CONTAINMENT is more than \$125,000¹. Based upon the estimated rig down and removal cost from New Wave, the value of an abandoned AST CONTAINMENT is four times the cost of removal. These costs suggest that an AST rental company would recover an abandoned AST Containment, resulting in a negative cost of removal.

We understand that the concern of OCD is that long-term downturn of the oil and gas industry could cause the State of NM to be responsible for an abandoned AST Containment that can only be salvaged for scrap. The current value of the AST Containment as scrap is about \$3500.00

Thus, the total closure cost to close the Telluride AST CONTAINMENT is $\$6,500 + \$15,000 - \$3500 = \$18,000$.

¹ Personal communication with Randal Strickland, VP of Sales, New Wave Energy Services, 4/28/20



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 E. Greene St.
Carlsbad, NM 88220-6292
www.blm.gov/nm



DECISION MEMORANDUM FOR THE RECORD

FROM: Brittany Chavez, Realty Specialist

SUBJECT: Determination of Right of Way Grant/Land Use Authorization Bond
Determination for [Amendment Telluride Air Gap SWD Site NM-140503]

DATE:

The BLM has reviewed application for Amendment Telluride Air Gap SWD Site NM-140503. Based upon this review, a bond is/is not required for the following reasons.

A bond is required.


As per IM 2019-013 National Policy for Rights-Of-Way Bonding and 43 CFR 2805.12(g), a reclamation bond, acceptable to the authorized officer shall be furnished by the holder or an earlier date may be specified by the Authorized Officer. The amount of the bond is the estimated cost for removal, disposal, and restoration of the project name in the event that the holder does not comply with terms of the right-of-way grant.

DECISION

☒ BOND IS REQUIRED*

☐ REQUIRED BOND, WHICH IS XX% OF RECLAMATION COST ESTIMATE

☐ BOND IS NOT REQUIRED



Field Manager

19 May 2020

Date

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bond Number

SUR0059367

RIGHT-OF-WAY SURETY BOND

Right-of-Way Grant or Temporary Use Permit Serial Number NM-140503A

KNOW ALL MEN BY THESE PRESENTS, that **Solaris Water Midstream, LLC** as principal,
and **Argonaut Insurance Company** of **P. O. Box 469011, San Antonio, TX 78246**, as
surety organized and existing under the laws of the State of **Illinois** having its primary office
at **225 W. Washington, 24th Floor, Chicago, IL 60606**, are held and firmly bound unto the United States of America in

the sum of **Twenty Five Thousand and NO/100******* dollars (\$ **25,000.00**)
lawful money of the United States for the payment of which, well and truly to be made, we bind ourselves, each of us, our heirs,
executors, administrators, successors, or assigns, jointly and severally, firmly by these presents.

WHEREAS, said principal made application for the issuance of a right-of-way grant or temporary use permit for the use of the lands
described therein, bearing the above serial number; and

WHEREAS, said principal upon the issuance of such right-of-way grant or temporary use permit, is required to comply with the
following terms and conditions of said grant or temporary use permit:

Telluride Air Gap Amendment

NOW, THEREFORE, If the said principal or his heirs, executors, administrators, successors, or assigns, shall fully comply with the said
terms and conditions then, and in that event, the obligation shall be null and void; otherwise it shall remain in full force and effect.

IN, WITNESS WHEREOF, we hereunto set our hands and seals this **3rd** day of **April**, 2020.

Solaris Water Midstream, LLC

By 
(Signature of Principal)

Argonaut Insurance Company

By 
(Signature of Surety)

Janie Cermeno, Attorney-in-Fact

SIGNATURE OF WITNESSES




 **Joyce Johnson**
 **Dorothy Harrison**

ADDRESSES OF WITNESSES

9811 Katy Frey. Ste 200 Houston TX 77007
5005 Woodway Houston TX 77056

P.O. Box 1388, Houston, Texas 77251-1388

P.O. Box 1388, Houston, Texas 77251-1388

Two witnesses, with the post office address of each, are required to each signature. The seal of each corporation signing the bond must be affixed. A
copy of the Power of Attorney of the Authorized Agent of a surety company must accompany the bond.

Argonaut Insurance Company
Deliveries Only: 225 W. Washington, 24th Floor
Chicago, IL 60606

United States Postal Service: P.O. Box 469011, San Antonio, TX 78246

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the Argonaut Insurance Company, a Corporation duly organized and existing under the laws of the State of Illinois and having its principal office in the County of Cook, Illinois does hereby nominate, constitute and appoint:

Philip N. Bair, Joyce A. Johnson, Janie Cermeno, Jessica Richmond, Brian R. Welch

Their true and lawful agent(s) and attorney(s)-in-fact, each in their separate capacity if more than one is named above, to make, execute, seal and deliver for and on its behalf as surety, and as its act and deed any and all bonds, contracts, agreements of indemnity and other undertakings in suretyship provided, however, that the penal sum of any one such instrument executed hereunder shall not exceed the sum of:

\$85,000,000.00

This Power of Attorney is granted and is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of Argonaut Insurance Company:

"RESOLVED, That the President, Senior Vice President, Vice President, Assistant Vice President, Secretary, Treasurer and each of them hereby is authorized to execute powers of attorney, and such authority can be executed by use of facsimile signature, which may be attested or acknowledged by any officer or attorney, of the Company, qualifying the attorney or attorneys named in the given power of attorney, to execute in behalf of, and acknowledge as the act and deed of the Argonaut Insurance Company, all bond undertakings and contracts of suretyship, and to affix the corporate seal thereto."

IN WITNESS WHEREOF, Argonaut Insurance Company has caused its official seal to be hereunto affixed and these presents to be signed by its duly authorized officer on the 8th day of May, 2017.

Argonaut Insurance Company



by: _____

Joshua C. Betz , Senior Vice President

STATE OF TEXAS
COUNTY OF HARRIS SS:

On this 8th day of May, 2017 A.D., before me, a Notary Public of the State of Texas, in and for the County of Harris, duly commissioned and qualified, came THE ABOVE OFFICER OF THE COMPANY, to me personally known to be the individual and officer described in, and who executed the preceding instrument, and he acknowledged the execution of same, and being by me duly sworn, deposed and said that he is the officer of the said Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and the said Corporate Seal and his signature as officer were duly affixed and subscribed to the said instrument by the authority and direction of the said corporation, and that Resolution adopted by the Board of Directors of said Company, referred to in the preceding instrument is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my Official Seal at the County of Harris, the day and year first above written.



Kathleen M. Meeke

(Notary Public)

I, the undersigned Officer of the Argonaut Insurance Company, Illinois Corporation, do hereby certify that the original POWER OF ATTORNEY of which the foregoing is a full, true and correct copy is still in full force and effect and has not been revoked.

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the Seal of said Company, on the 3rd day of April, 2020.



James Bluzard

James Bluzard , Vice President-Surety