C. FINANCIAL ASSURANCE DEMONSTRATION PLAN (FADP)
40 CFR 146.85

Vernon One CCS Site

Facility Information

Facility name: Vernon One CCS Site

[redacted]

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Well location: Vernon Parish, Louisiana

[redacted]

CapturePoint Solutions LLC (CPS) is providing financial responsibility pursuant to 40 CFR 146.85. CPS expects to be utilizing any one of or a combination of (1) Surety Bonds, (2) Trust Account or (3) Insurance to cover the costs of potential corrective action, emergency and remedial response, injection well plugging, post-injection site care, or site closure.

1. *Financial Liability Cost Estimates*

The estimated costs of each of these activities, as provided by CPS, are presented in Table 1.

Table 1. Cost Estimates for Activities to be Covered by Financial Responsibility.

Activity	Total Estimated Cost ($ 000s)	Instrument	Comments
1. Corrective Action	4,085	Surety Bond	Includes re-plugging 5 existing abandoned wells in the AOR to meet regulatory standards.
2. Plugging Injection Wells	602	Trust Account to be funded during Injection	Covers plugging 3 of the 6 proposed injection wells and leaving the other 3 for monitoring
3. Site Closure	1,304		Includes decommissioning of units and surface facilities
4. Post-Injection Site Care	9,443		Includes the direct and indirect monitoring as per T&M plan after injection for the proposed APISC time frame of 15 years. This number will be adjusted based on revisions in PISC timeline after updated model results with data from the Characterization well.
5. Emergency and Remedial Response	5,000	Well Insurance & Pollution Liability Policy	Includes provision for one relief well to correct any CO_2 leakage.
Total	20,434		

The cost estimates above have been developed by CapturePoint Solutions LLC with assistance from its affiliate CapturePoint LLC which has deep experience constructing and operating CO_2 injection wells for EOR. These costs have been estimated in compliance with the requirements of LAC 43: XVII Chapter 6 §3609. CPS is providing financial responsibility pursuant to 40 CFR § 146.85.(a) and using the following financial instruments LAC 43: XVII Chapter 6 §3609. C, (h) (i) based on estimated costs that will be incurred in hiring a third-party on arms-length basis to perform the required activities. A detailed breakdown of these costs is included in a spreadsheet CPS_FADP_budget_March 2023.xlsx in the Confidential Business Information (CBI) folder.

CPS is providing financial responsibility pursuant to 40 CFR § 146.85.(a) and using the following financial instruments LAC 43: XVII Chapter 6 §3609. C.

- CPS will establish a Surety Bond to cover the costs of
  1) corrective action in accordance with 40 CFR § 146.84 and LAC 43: XVII Chapter 6 §3615.
  2) Plugging of injection wells in accordance with 40 CFR § 146.92 and LAC 43: XVII Chapter 6 §3631; and
  3) Implementing post injection site care and 4) Site Closure as per requirements of 40 CFR § 146.93 and LAC 43: XVII Chapter 6 §3633.

- CPS will create a Trust fund starting from the First year of injection over seven years to replace the remaining amounts required in the Surety Bond and replace the Surety Bond once it is fully funded.

- CPS will award the task of ERRP as per requirements of 40 CFR § 146.94 and LAC 43: XVII Chapter 6 §3623, to its affiliate CapturePoint, LLC (CP). CP as extensive experience in CO_2 EOR injections and is a licensed operator of oil and gas wells in the State of Louisiana. The liability for ERR requirements will be addressed through a third-party Well Insurance Policy and Pollution Liability insurance policy carried by CapturePoint LLC.

2. ***Surety Bond***

The Surety Bond, which will act as a Performance Bond, will identify CPS as the principal on the bond, will be provided by U.S. Specialty Insurance Company. The insurance company meets all the following criteria.

1. The Surety Bond provider is authorized to transact business in Louisiana since 1988.
2. The Surety Bond provider has either passed the specified financial strength requirements based on credit ratings or has met a minimum rating (AA- from Fitch), minimum capitalization, and ability to pass the bond rating, in line with requirements of 40 CFR § 146.85.(a).6. ii, when applicable.

The Surety Bond shall be established before permit to Inject and will follow the EPA guidance templates. The Surety Bond will be adjusted down accordingly based on the funds already spent or accrued in the Trust Fund.

3. ***Trust Account***

During Injection/ operations phase of the Class VI site CPS will create a Trust Account to fund the remaining costs of Post Injection Site Care and Site Closure over a period of 10 years. The Surety Bond and Trust Account amounts shall be updated based on any revisions to the estimated costs below.

The following table provides the pay-in periods for the funding of the Trust. Amounts after the initial pay-in are subject to annual review and reporting for the continuing validation of estimate costs and underlying assumptions.

Activities	Pre-injection ($000s)	During Injection ($000s)	Total
2. Plugging Injection Wells	602		602
3. Site Closure		1,304	1,304
4. Post-Injection Site Care		9,443	9,443
Total	602	10,747	11,349

Pre-injection amount in the Trust Account will be funded within 7 days of permit to inject issuance. The During Injection amount will be funded in ten (10) equal installments at least 7 days prior to successive anniversaries of permit to inject issuance.

The Trust Account will be setup before permit to Inject and shall be managed by the bank of the applicant at the time of permit to inject issuance. The current bank for applicant is JP Morgan Chase (A1 rating by Moodys). The trustee shall act as the escrow agent for the Trust Account and shall release the funds for prescribed activities in compliance with the EPA requirements. The contract for the Trust Funds shall follow all applicable EPA guidance templates for the same.

The Trust Account will be available to the Applicant or to a third party nominated by EPA if the Applicant were no longer involved with site operations. The Trust Account will be maintained until such time that the EPA and LA DNR determines that the storage operator has fulfilled its financial obligations.

4. ***Insurance***

The costs for Emergency and Remedial Response shall be covered the insurance Policies carried by CPS's affiliate CapturePoint LLC who will have the responsibility for constructing and managing the injection wells for the site.

The Well Insurance Policy, which identifies CP as the insured party covers to a limit of $5,000,000 per incident for each of the well with a deductible of $250,000. CP as the contractor for CPS will use the Well Insurance to cover required funds for the ERR.

The third-party pollution liability insurance, which identifies CP as the insured party. The coverage limits of the policy are summarized below:

Coverage Type	Coverage per Event	Insurance Carrier
Sudden & Accidental Pollution	$ 1,000,000	Chubb
Gradual Pollution Primary	$ 1,000,000	Lloyds/Enviant
Gardual Pollution Excess	$ 4,000,000	Lloyds/Enviant
Umbrella Excess	$ 10,000,000	Chubb

The Pollution liability insurance policies are issued from Chubb and Lloyds/Enviant Insurance Companies as per table above. The Well Insurance Policy is issued by Lloyds/ Zurich. The insurance

templates will be reviewed against EPA guidance templates and any variations addressed through discussion between the insurance broker and EPA. The insurance providers meet the following criteria, in accordance with requirements of 40 CFR § 146.85(a).6.ii,

1. All of the insurance providers satisfy financial strength requirements based on credit ratings in the top four categories of either Standard & Poor's (AAA, AA, A, or BBB), Moody's (Aaa, Aa, A, Baa) or Fitch's (AA-).

2. The company meets a minimum rating ("minimum rating" based on an issuer, credit, securities, or financial strength rating as a demonstration of financial stability) and minimum capitalization (*i.e.,* demonstration that minimum thresholds are met for the following financial ratios: debt-equity, assets-liabilities, cash return on liabilities, liquidity, and net profit) and is able to pass bond rating in the top four categories of Fitch's (AA-) or Fitch (Aaa, Aa, A, Baa), when applicable

The insurance policies are in effect from 11/17/2021 to 11/17/2023 and will be renewed every year and has been in effect since 2017.

In both the Surety Bond and Insurance policies, CPS will establish a standby trust or suitable instrument to enable EPA to be party to these instruments without EPA being the beneficiary of any funds in line with requirement in 40 CFR § 146.85.(a).6.iii.

For all the financial instruments used by CPS, Surety Bond, Trust Account and Insurance Policies, we will try to use the recommended language by EPA. If that is not possible due to issuer internal restrictions, we will make sure the instrument uses the required conditions of coverage, including cancellation, renewal, continuation, specifications on when provider becomes liable if failure to renew; and requirements for provider to meet minimum financial strength requirements as outlined by EPA and LA DNR.