

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

LETTER OF CREDIT

- SINGLE WELL PLUGGING [19.15.8.9(C)(1); 19.15.8.9(D)(1) NMAC]
- BLANKET PLUGGING [19.15.8.9(C)(2) NMAC; 19.15.8.9(D)(2) NMAC]
- RECYCLING FACILITY OR CONTAINMENT [19.15.34.15 NMAC]
- SURFACE WASTE MANAGEMENT FACILITY [19.15.36.11 NMAC]
- WQCC DISCHARGE PERMIT (INCLUDING CLASS I, III, and V INJECTION WELLS)  
[20.6.2.3107.A(11) NMAC; 20.6.2.5006 NMAC; 20.6.2.5210.B(17) NMAC; 20.6.2.5320  
NMAC; 20.6.2.5342(A)(1) NMAC; 20.6.2.5361(A)(3) NMAC; 20.6.2.5362(A)(3)  
NMAC; 20.6.2.5363 NMAC]
- ABATEMENT PLAN [19.15.30.11(C) NMAC; 20.6.2.4104(C) NMAC]

---

BOND NUMBER \_\_\_\_\_

BOND AMOUNT \_\_\_\_\_

FINANCIAL INSTITUTION \_\_\_\_\_

OPERATOR/PRINCIPAL \_\_\_\_\_

OGRID NUMBER \_\_\_\_\_

WELL/FACILITY \_\_\_\_\_

TYPE OF WELL [ ]Active [ ]Inactive [ ]Approved Temporary Abandonment

WELL DEPTH \_\_\_\_\_

LOCATION Section [ ] Township [ ] Range [ ]

County [ ]

API/ PERMIT NUMBER \_\_\_\_\_

---

1.           ("Financial Institution"), a  
national or state chartered banking association, establishes this irrevocable Letter of Credit on behalf of           ("Operator/ Principal") for  
the use and benefit of the Oil Conservation Division ("OCD") of the Energy, Minerals and Natural Resources Department (or successor agency), in the sum of                                  Dollars (\$                                ), with an effective date of                                 .

2. Operator/Principal represents and warrants that it requested Financial Institution to issue this irrevocable Letter of Credit to OCD to secure Operator/Principal's obligations under the applicable statutes and rules in effect on the date of execution and as may thereafter be adopted, including the plugging and abandonment of wells and the operation and closure of wells and facilities, including abatement, remediation, reclamation, restoration, monitoring, and post-closure care, as applicable.

3. This Letter of Credit is irrevocable for the specified term and shall not expire earlier than such term unless released in writing by OCD.

4. Based on the effective date of this irrevocable Letter of Credit, the initial 5-year term will automatically renew on                                  unless notice of non-renewal is provided to the OCD pursuant to Paragraph 7 of this Letter of Credit.

5. Financial Institution shall make available such amount from the Letter of Credit as requested by OCD no later than 5:00 p.m. on the second business day following Financial Institution's receipt of OCD's sight draft and certificate.

6. OCD may present a sight draft and certificate for the full amount of the Letter of Credit or any lesser amount in its sole discretion, provided that the aggregate amount of the sight drafts and certificates do not exceed the full amount of the Letter of Credit.

7. Except for a Letter of Credit provided pursuant to 20.6.2.5210(B)(17) NMAC, this Letter of Credit shall be automatically renewed for a term of five years commencing on the

expiration of the specified term unless Financial Institution provides written notification of non-renewal to OCD no later than: (a) for single well or blanket plugging or abatement plan, thirty (30) days; (b) for recycling facilities or containments, ninety (90) days; or (c) for surface waste management facilities, one hundred twenty (120) days, prior to the expiration date of the specified term.

8. This Letter of Credit shall be forfeited to OCD if Operator/Principal fails to furnish financial assurance and obtain OCD approval no later than: (a) for single well or blanket plugging or abatement plan, thirty (30) days; (b) for recycling facilities or containments, ninety (90) days; or (c) for surface waste management facilities, one hundred twenty (120) days, prior to the expiration date of the specified term.

9. This Cash Bond shall be forfeited in accordance with the applicable procedures if OCD determines that Operator/Principal failed to comply with an obligation hereunder.

10. OCD reserves the right to demand reimbursement from Operator/Principal or its successors, heirs, or personal representatives if this Letter of Credit is less than the actual cost incurred by OCD to plug and abandon a well or close a facility, including remediation, reclamation, and restoration, as applicable, in accordance with the Oil and Gas Act, NMSA 1978, § 70-2-1 et seq.

11. Financial Institution shall give prompt notice to OCD and Operator/Principal of any notice received or action filed alleging the insolvency or bankruptcy of Financial Institution or alleging any violation of a regulatory requirement that could result in the suspension or revocation of Financial Institution's charter or license to do business.

12. This Letter of Credit shall be governed by the laws of the State of New Mexico, and to the extent not inconsistent with such laws, the most recent version of the Uniform Customs & Practices for Documentary Credits issued by the International Chamber of Commerce.

13. All notices and communications regarding this Letter of Credit shall be sent by certified mail – return receipt requested to:

OCD

Bond Administrator  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

OPERATOR/PRINCIPAL

*(Insert Contact Person and  
address)*

FINANCIAL INSTITUTION

*(Insert Contact Person and  
address)*

14. The signatories represent and warrant that they have the authority execute  
this Letter of Credit.

**OPERATOR/PRINCIPAL**

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

\_\_\_\_\_  
Position

\_\_\_\_\_  
Entity

**ACKNOWLEDGMENT**

State of \_\_\_\_\_ )  
SS

County of \_\_\_\_\_ )

This instrument was acknowledged before me by \_\_\_\_\_ on behalf of  
\_\_\_\_\_, this \_\_\_\_\_ (Date)  
Name

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_



**EXHIBIT A**

**SIGHT DRAFT**

TO: \_\_\_\_\_

PAY TO THE ORDER OF: OIL CONSERVATION DIVISION, ENERGY, MINERALS &  
NATURAL RESOURCES DEPARTMENT

THE AMOUNT OF: \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_)

AT THE FOLLOWING ADDRESS: Oil Conservation Division  
New Mexico Energy, Minerals, and  
Natural Resources Department  
1220 South St. Francis  
Santa Fe, New Mexico 87505

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

**EXHIBIT B**

**CERTIFICATE**

\_\_\_\_\_, a duly authorized representative of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department (“OCD”), certifies that (1) the sight draft for \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) under Letter of Credit No. \_\_\_\_\_ (“Letter of Credit”) issued by \_\_\_\_\_ on \_\_\_\_\_, is duly authorized by the Oil and Gas Act, NMSA 1978, Section 70-2-1 et seq., and OCD’s rules; (2) the sum of the sight draft and any other amounts previously drawn under the Letter of Credit do not exceed its face amount; and (3) OCD has directed the forfeiture of the Letter of Credit.

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