#### 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; 20.6.2.5363 NMAC]				
	ABATEMENT PLAN	[19.15.30.11(C) NMAC; 20.6.2.4104(C) NMAC]			
BOND	NUMBER				
BOND	AMOUNT				
FINAN	NCIAL INSTITUTION				
OPER	ATOR/PRINCIPAL				
OGRII	O NUMBER				
WELL	/FACILITY				
TYPE	OF WELL	[ ]Active [ ]Inactive [ ]Approved Temporary Abandonment			
WELL	DEPTH				
LOCA	TION	Section [ ] Township [ ] Range [ ]			
		County [ ]			
API/ P	ERMIT NUMBER				

1.		("Financial Institu	tion"	),			
a national	or state chartered b	anking association,	estab	lishes this	irrevoca	ıble Letter o	f Credit on
behalf of_	("Operator	r/ Principal") for					
the use and	benefit of the Oil C	Conservation Division	on ("C	OCD") of th	ne Energ	y, Minerals	and Natural
Resources	Department (or	successor agency)	), in	the sum	of		Dollars
(\$	), with an effect	tive date of		<del>.</del>			

- 2. Operator/Principal has 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 in compliance with this Letter of Credit.
- 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 Letter of Credit 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 Page 3 of 7 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		
ACKNOWI	<u>LEDGMENT</u>	
State of) SS		
County of)		
This instrument was acknowledged before me by		
, thi	s	(Date)
My Commission Expires:	Notary Pub	lic

FINANCIAL INSTITUTION		
Da	ate:	
Name		
Position		
Financial Institution		
ACKNOWLEDG	EMENT .	
State of) SS		
County of)		
This instrument was acknowledged before me by		on behalf of
, this		
Name	(Date)	
	Notary Public	
My Commission Expires:		
APPROVED BY:		
Bond Administrator	Date:	
Oil Conservation Division		

# **EXHIBIT A**

## **SIGHT DRAFT**

ГО:	
	SERVATION DIVISION, ENERGY, MINERALS & L RESOURCES DEPARTMENT
ΓHE 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 Mex	ico Energy, Minerals and Natu	ral Resources Department
("OCD"), certifies that (1) the sight dra	ft for	Dollars (\$)
under Letter of Credit No	("Letter of Credit") iss	sued byon
, is duly autho	rized by the Oil and Gas Act, N	IMSA 1978, Section 70-2-1
et seq., and OCD's rules; (2) the sum of	of the sight draft and any other	amounts previously drawn
under the Letter of Credit do not excee	d its face amount; and (3) OCI	has directed the forfeiture
of the Letter of Credit.		
D	D.	
By:	_Date:	