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 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 certified mail – return receipt requested to:
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 ________) SS
This instrument was acknowledged before me by ______________________ on behalf of ______________________, this ______________________ (Date)
Name

My Commission Expires:

______________________
Notary Public
FINANCIAL INSTITUTION

______________________________  Date: ________________________________
Name

______________________________
Position

______________________________
Financial Institution

ACKNOWLEDGMENT

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:

______________________________  Date: ________________________________
Bond Administrator
Oil Conservation Division
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: ______________________