

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South St. Francis Drive, Santa Fe, New Mexico 87505

Irrevocable Letter of Credit
(5-Year - Automatically Renewable)

LETTER OF CREDIT NO. _____ Effective Date: _____, 20_____

_____ [Name of FINANCIAL INSTITUTION], a national or state chartered banking association, as ISSUER, hereby establishes this irrevocable Letter of Credit for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) of the State of New Mexico (the DIVISION), pursuant to NMSA 1978, Section 70-2-14, as may be amended from time to time, for an aggregate amount not to exceed _____ Dollars (\$_____) in United States dollars (Face Amount) effective on the date indicated above. This Letter of Credit is established for _____ [Name of Operator], whose address is _____, _____ as APPLICANT. The Face Amount under this Irrevocable Letter of Credit is (choose one):

- \$150,000 and covering up to five wells in temporarily abandoned status
- \$300,000 and covering up to ten wells in temporarily abandoned status
- \$500,000 and covering up to twenty-five wells in temporarily abandoned status
- \$1,000,000 and covering more than twenty-five wells in temporarily abandoned status

1. Whereas, APPLICANT has requested that this Letter of Credit be issued to the DIVISION as financial assurance for the APPLICANT pursuant to statutory and regulatory requirements of the State of New Mexico set forth in Section 70-2-14 NMSA, as amended, and 19.15.8 NMAC.

2. Whereas, APPLICANT has drilled wells to prospect for and/or produce oil and/or gas, carbon dioxide gas, helium gas, or brine minerals, or an injection or other service wells related to such exploration or production, on privately-owned or state-owned lands within the State of New Mexico, or does own or operate, or may acquire, own, or operate such wells, and said wells are in temporarily abandoned status.

3. Whereas, the identification and location of said wells in temporarily abandoned status is being expressly waived by both APPLICANT and ISSUER, and the DIVISION may automatically assign coverage under this Letter of Credit to wells held in temporarily abandoned status.

4. Whereas, this Letter of Credit is irrevocable for the term hereof, and is furnished as financial assurance for the compliance by the APPLICANT with all applicable statutes of the State of New Mexico and with all rules and orders of the Oil Conservation Commission and DIVISION, including requirements to cause wells in the State of New Mexico now or hereafter owned or operated by Applicant covered by this Letter of Credit be properly plugged and abandoned in accordance with the rules and orders of the DIVISION or Commission, as may now exist or may hereafter exist, or to returns said wells to production (collectively, "Obligations").

5. This Letter of Credit will expire on _____ [not less than five years from the effective date of the Letter of Credit]; unless sooner released by written notice to the ISSUER by the DIVISION. Upon the expiration date, this Letter of Credit shall be automatically renewed for an additional term of five years commencing on such expiration date, and likewise for successive terms of five years each upon the occurrence of each subsequent scheduled expiration date, unless the ISSUER has, at least 30 days prior to any scheduled expiration date, mailed written notice of non-renewal, by certified mail, return receipt requested, to the DIVISION. This Letter of Credit may

be forfeited and collected by the DIVISION if not replaced by approved financial assurance at least 30 days before the expiration date hereof.

6. Funds under this Letter of Credit are available against the DIVISION's sight draft, in the form of Exhibit A, specifying Letter of Credit No. _____, delivered to the office of the ISSUER at _____ [address], accompanied by a certificate in the form of Exhibit B, signed by the Director of the DIVISION or the Director's duly authorized representative. At the Division's sole election, the DIVISION may present sight drafts for less than the Face Amount at any time and from time to time so long as this letter of credit remains in force, provided that the aggregate amount of all such drafts shall not exceed the Face Amount.

7. If the ISSUER receives the DIVISION's sight draft(s) and certificate(s) as provided in Paragraph 6, above, on or before the expiration or termination of this Letter of Credit, the ISSUER shall make such amount as the DIVISION may specify, up to an aggregate amount not to exceed the Face Amount of this Letter of Credit, available to the DIVISION no later than 5 p.m. in Santa Fe, NM on the second business day following the ISSUER's receipt of the sight draft and certificate, and in such a manner as the DIVISION may specify.

8. The ISSUER shall give prompt notice to the APPLICANT and to the DIVISION of any notice received or action filed alleging the insolvency or bankruptcy of the ISSUER, or alleging any violations of regulatory requirements that could result in suspension or revocation of the ISSUER's charter or license to do business.

9. 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, by International Chamber of Commerce Publication No. 600, entitled "Uniform Customs and Practice for Documentary Credits" (most recent revision).

10. All communications regarding this Letter of Credit shall be addressed to the ISSUER at _____ [address], referencing Letter of Credit No. _____.

Very truly yours,

 ISSUER

By _____
 (Name, typed or printed)

 (Authorized Signature)

Title _____

State of _____)
 SS.
 County of _____)

This instrument was acknowledged before me on this _____ day of _____, 20_____ by _____, _____ (Title) of _____ (ISSUER).

My Commission Expires: _____ Notary Public

NOTICE: The attached exhibits must be initialed by the party signing this letter of credit for the Financial Institution. If this letter of credit is executed by an officer other than the President, a Vice President, or a branch manager, it must be accompanied by a certified resolution of the Board of Directors of the Financial Institution, certifying to the authority of the signing officer to execute letters of credit in at least the Face Amount.

EXHIBIT A - SIGHT DRAFT
to
Letter of Credit No. _____

Date

**PAY TO THE ORDER OF: ENERGY, MINERALS & NATURAL RESOURCES
DEPARTMENT**

(\$ _____) _____ DOLLARS

TO: (Name of ISSUER)
and
(Address – **Must be physical address**)

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

By: _____

Date _____

**Initials of Representative of
Financial Institution**

EXHIBIT B

to

Letter of Credit No. _____

I, _____, a duly authorized representative of the New Mexico Oil Conservation Division, hereby certify that: (1) the drawing in the amount of _____ Dollars (\$ _____), by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you, is duly authorized in accordance with the New Mexico Oil and Gas Act (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended) and applicable rules of the New Mexico Oil Conservation Division; (2) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount of the Letter of Credit; and (3) the New Mexico Oil Conservation Division has directed the forfeiture of the Letter of Credit.

New Mexico Oil Conservation Division

By: _____

Date _____

**Initials of Representative of
Financial Institution**
