

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division

Irrevocable Letter of Credit For Produced Water Recycling Facilities
(File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, New Mexico 87505)

LETTER OF CREDIT NO.

_____ [Name of Financial Institution], a _____ organized and existing under the laws of the State of _____ and authorized to do business in the State of New Mexico, as ISSUER, hereby establishes this Letter of Credit for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (DIVISION) pursuant to NMSA 1978, Section 70-2-12, as amended, and Division Rule 19.15.34 NMAC, for an aggregate amount not to exceed Dollars (\$ _____ .00) in United States dollars ("Face Amount") effective immediately. This Letter of Credit is established for (APPLICANT/PERMITTEE) (an individual, partnership, company, or a corporation) organized in the State of _____, with its principal office located in _____, State of _____ and authorized to do business in the State of New Mexico.

1. The APPLICANT/PERMITTEE has or may enter into the collection, treatment, storage, recycling, and re-use of produced water in Section _____, Township _____, Range _____, NMPM, County, New Mexico ("Facility"). ISSUER has been advised that APPLICANT/PERMITTEE has requested this Letter of Credit as security for APPLICANT/PERMITTEE's compliance with all laws and rules applicable to such activities, including, but not limited to, proper closing and remediation of the Facility.

2. This Letter of Credit is irrevocable for a term of not less than five (5) years, unless sooner released by written instrument executed by the DIVISION and delivered to ISSUER.

3. This Letter of Credit will expire on _____ [not less than five (5) years from the effective date of the Letter of Credit]. Upon the expiration date, this Letter of Credit shall be automatically renewed for an additional term of five (5) years commencing on such expiration date, and likewise for successive terms of five (5) years upon the occurrence of each subsequent scheduled expiration date, unless the ISSUER has, at least ninety (90) 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 thirty (30) days before the expiration date hereof

4. 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 [street address]. At DIVISION'S sole election, the DIVISION may present sight drafts for less than the Face Amount of this Letter of Credit, so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by the Division Director or the Director's duly authorized representative.

5. If the ISSUER receives the DIVISION'S sight draft(s) and certificate(s) as provided in Paragraph 4, above, on or before the expiration or termination of this Letter of Credit, the ISSUER will pay 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.

6. The ISSUER will give prompt notice to the APPLICANT/PERMITTEE and to the DIVISION Director of any notice received or action filed alleging the insolvency or bankruptcy of the ISSUER, or alleging any violations of regulatory requirements which are reasonably likely to result in suspension or revocation of the ISSUER'S charter or license to do business.

7. 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. 500, entitled "Uniform Customs and Practice for Documentary Credits" (most recent revision).

8. All communications regarding this Letter of Credit will 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 NEW MEXICO)
)SS.
COUNTY OF

This instrument was acknowledged before me on this _____ day of _____,

20_____ by _____,
(Title)

of _____(ISSUER).

Notary Public

My Commission Expires:

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

Date

City, County

Letter of Credit No.

PAY TO THE ORDER OF: _____ **Energy, Minerals and Natural Resources**
Department

(\$ _____) _____ **DOLLARS**

TO: (Name of ISSUER)
and
(Address)

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

By: _____

Authorized Signature

Date:

EXHIBIT B

Letter of Credit No. _____

I, _____ a duly authorized representative of the State of New Mexico Energy, Minerals and Natural Resources Department, 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 permitted under the provisions of the Letter of Credit; (2) the Letter of Credit has neither expired nor terminated pursuant to its terms; (3) 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 (4) the Oil Conservation Division has directed the forfeiture of the Letter of Credit. Proceeds of this drawing will be utilized in full to pay expenses relating to the closure liability for the facility described in Paragraph 1 of the Letter of Credit.

Oil Conservation Division

By: _____
Authorized Signature

Date