

New Mexico State Land Office – Oil, Gas, and Minerals Division

Instructions for FILING

An Oil & Gas Lease Surface Improvement DAMAGE BOND

In these pages, you'll find the State statute and the Land Office rule dealing with bonding. Below are short explanations of eight surety statements:

1) **Single lease damage bond** for the amount of \$10,000.00. Please note that this damage bond will cover only **one** lease. Have the surety complete the form and sign it before a Notary Public. Also have an officer of the Principal's company sign it before a Notary Public.

2) **Multi-lease (blanket) damage bond** for the amount of \$20,000.00. This bond will cover two or more leases. Have the surety complete the form and sign it before a Notary Public. Also have an officer of the principal's company sign it before a Notary Public.

3) **Megabond** in the amount of \$25,000.00 to be used for state leases for oil and gas, minerals, coal or geothermal resources and right-of-way easements. Have the surety complete the form and sign it before a Notary Public. Also have an officer of the Principal's company sign it in the presence of a Notary Public.

4) **Assignment of Cash Collateral Form**. This is in lieu of a surety damage bond. It can be for either \$10,000.00 or \$20,000.00, depending on the number of leases it will cover. A financial institution in New Mexico must complete this form. It should be signed and notarized by both an officer of a financial institution and an officer of the Principal's company. Please note that the respective damage bond form **must** be completed, signed and notarized by the Principal only, in conjunction with the assignment of Cash Collateral Form.

5) **Irrevocable Letter of Credit**. This is also in lieu of a surety damage bond. This letter will come from a financial institution in New Mexico indicating that the letter is renewed automatically annually. Please note that the respective damage bond **form must** be completed, signed and notarized by the Principal only, in conjunction with the Irrevocable Letter of Credit.

6) **Irrevocable Letter of Credit – Foreign Bank**. Same as above, except this letter will come from a financial institution outside New Mexico.

7) **Request for Waiver of Bond**. This form is for an operator who is requesting waiver for bonding because no activity is taking place on the lease site. The operator must sign the form and have it notarized. The operator agrees in this request to post bond before beginning drilling, or the lease may be cancelled.

8) **Surface Owner/ Lessee Waiver of Bond**. With this form, a surface owner relinquishes his/her right to require a surface damage bond from a mineral lessee or an operator who is commencing development or operations on the land in question. The owner must sign the form and have it notarized.

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Once completed, please return the properly executed forms to this office for filing. If you need assistance in completing the form(s), please contact Paulette Lucero-Romero by telephone at (505) 827-5714, 7 a.m. – 4 p.m Mountain Time, or by email at plucero@slo.state.nm.us

Revised version November 2006

Addresses that must be used for sending bonds:

ATTN: PAULETTE LUCERO-ROMERO
OIL GAS & MINERALS DIVISION
NM STATE LAND OFFICE
POB 1148
SANTA FE NM 87504-1148

Physical address	PAULETTE LUCERO-ROMERO	
For FedEx UPS	OIL GAS & MINERALS DIVISION	
Etc.:	NM STATE LAND OFFICE	
	310 OLD SANTA FE TRAIL	
	SANTA FE NM 87501-2708	TELEPHONE (505) 827-5714

Statutes/Statutory Chapters in New Mexico Statutes Annotated 1978/

**CHAPTER 19 PUBLIC LANDS/
ARTICLE 10 LEASE OF OIL AND GAS LANDS/
19-10-26.**

[Lands sold with reservation of minerals; lease; bond to protect purchaser; waiver.] (1979)

State lands sold heretofore, or which may be sold hereafter on any deferred payment plan under contract containing a reservation to the state of the minerals therein contained, may be leased by the state for oil, gas or other mineral development or exploitation, as provided by law in the same manner as other state lands.

Provided, that before any lessee of minerals on state lands so sold shall commence development or operations thereon such lessee or the operator (being any third party conducting exploratory or development operations authorized by the lessee within the authority granted to the lessee under the provisions of Section 19-10-13 NMSA 1978) shall execute and file with the commissioner of public lands a good and sufficient bond or undertaking in an amount to be fixed by the commissioner, but not less than two thousand dollars (\$2,000), in favor of the state of New Mexico for the use and benefit of the purchaser holding purchase contract or deed to such lands on which such development is about to be commenced, his grantees or successors in interest to secure the payment for such damage to the livestock range, water, crops or tangible improvements on such lands as may be suffered by such purchaser or his successors in interest by reason of such development, use and occupation of such lands by such lessee.

And provided further, that if any such purchaser shall file with the commissioner of public lands a waiver duly executed and acknowledged by him of his right to require such bond, such development, occupation and use of the lands by a mineral lessee may be permitted without the bond herein required.

History: Laws 1925, ch. 137, § 5; 1929, ch. 45, § 1; C.S. 1929, § 132-423; 1941 Comp., § 8-1119; 1953 Comp., § 7-11-20; Laws 1979, ch. 60, § 1.

NM State Land Office Rule pertaining to bonding -- 100.23

19.2.100.23 SURETY TO PROTECT SURFACE PURCHASER AND LESSEE - WAIVERS:

A. Before any lessee shall commence development or operations, including any and all prospecting activities upon the lands, such lessee or operator shall execute and file with the commissioner a good and sufficient bond or other surety, in an amount to be fixed by the commissioner but not less than ten thousand dollars (\$10,000) in favor of the state of New Mexico for the benefit of the appropriate trust beneficiary and the state's contract purchasers, patentees and surface lessees, to secure payment to the extent allowed by law for such damage to their interests and tangible improvements upon such lands as may be suffered by reason of development, use and occupation of the lands by the oil and gas lessee.

B. A bond or other surety in the minimum amount of ten thousand dollars (\$10,000) for each lease shall be deemed sufficient unless and until the commissioner determines, or one or more surface lessees or purchasers show the commissioner, that such an amount is not adequate in a given case. Provided, however, that if a lessee holds more than one oil and gas lease, a blanket bond or other surety in the amount of twenty thousand dollars (\$20,000) will be acceptable unless and until the commissioner determines, or one or more surface lessees or purchasers show the commissioner, that such an amount is not adequate in a given case. Provided further, that if any purchaser, patentees or surface lessees shall file with the commissioner a waiver duly executed and acknowledged by him of his right to require such bond or other surety pursuant to Section 19-10-26 NMSA 1978 the development, occupation and use of the lands by the oil and gas lessee may in the discretion of the commissioner be permitted without said surety.

C. With the approval of the commissioner, in lieu of the single and blanket bonds for oil and gas lessees, a twenty-five thousand dollar (\$25,000) bond or other surety may be used at the option of lessee for the use and benefit of the commissioner, to secure surface improvement damage and the performance of the lessee under one or more state leases or permits for minerals, oil and gas, coal or geothermal resources or as holder under one or more state rights of way or easements which the lessee has executed with the commissioner. The lessee will be obligated to perform and keep all terms, covenants, conditions and requirements of all state leases for minerals, oil and gas, coal or geothermal resources and of all state rights of way and easements executed with the commissioner, including the payment of royalties when due and compliance with all established mining plans and reclamation requirements.

[19.2.100.23 NMAC – Rn, SLO Rule 1, Section 1.016, 12/13/2002]