

**NM State Land Office - Oil, Gas, and Minerals Division**  
**Levels of bonding and Instructions for filing a Surface Improvement**  
**Damage Bond**

1) **Single lease damage bond** in the amount of \$10,000.00 will provide coverage for only one oil and gas lease. Both an officer of the surety provider and an officer/representative of the principal must complete this form. All signatures must be notarized.

2) **Multi-lease (blanket) damage bond** in the amount of \$20,000.00 will provide coverage for two or more oil and gas leases. Both an officer of the surety provider and an officer/representative of the principal must complete this form. All signatures must be notarized.

3) **Mega-bond** in the amount of \$25,000.00 will provide coverage for state leases for oil and gas, minerals, coal or geothermal resources and right-of-way easements. Both an officer of the surety provider and an officer/representative of the principal must complete this form. All signatures must be notarized.

4) **Assignment of Cash Collateral Form** may suffice in lieu of a surety damage bond. It should be for the sum of \$10,000.00 or \$20,000.00, 25,000.00 depending on the number of leases it will cover. The financial institution must be a federally insured bank or savings institution within the state of New Mexico. Both an officer of the financial institution and an officer/representative of the principal must complete this form. All signatures must be notarized.

**NOTE: The respective damage bond form must also be completed in conjunction with the Assignment of Cash Collateral Form. This damage bond form may be signed and notarized by the Principal only**

5) **Request for Waiver of Bond.** The waiver of bond may be filed by a lessee where there is no surface disturbance or occupation of the leased land and it also serves as an acknowledgement that the lessee must file a sufficient bond with our office before any operations commence or the applicable lease(s) may be cancelled. Signatures must be notarized.

6) **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. Signatures must be notarized.

**Please contact the Oil, Gas and Minerals Division for assistance at (505) 827-5744.  
Once completed, please return the properly executed forms to the address below  
for filing.**

Standard mail:

NM State Land Office  
Oil, Gas and Minerals Division  
PO Box 1148  
Santa Fe, NM 87504-1148

Priority Mail:

NM State Land Office  
Oil, Gas and Minerals Division  
310 Old Santa Fe Trail  
Santa Fe, NM 87501-2708

**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,

**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]