

NEW MEXICO STATE LAND OFFICE - Oil, Gas & Minerals Division
IMPROVEMENT DAMAGE BOND FOR OIL & GAS LEASES

IRREVOCABLE STANDBY LETTER OF CREDIT

Date: _____

Expiration: _____

Beneficiary:

Commissioner of Public Lands
New Mexico State Land Office
Oil Gas and Minerals Division
310 Old Santa Fe Trail
Santa Fe, NM 87504

On behalf of _____ (“Applicant”), we _____,
_____ (hereinafter “Bank”) hereby issue this Irrevocable
Standby Letter of Credit (“LOC”) for the benefit of the New Mexico Commissioner of Public
Lands (“Commissioner”) for the amount of US _____ dollars
(\$_____). By this LOC we agree that, immediately upon receipt of written demand,
whether in original form or by facsimile copy pursuant to the requirements set out in the
“Documentary Requirements” BELOW, from the Commissioner for all or a portion of the LOC,
we will pay the sum or sums demanded to the Commissioner. This LOC is made and issued
pursuant to the Uniform Commercial Code, and is accepted in lieu of the bond requirements set
out in New Mexico State Land Office Rule 100.23 C.

Term: The LOC becomes effective on _____ and shall remain in effect for exactly
one year after that date and shall automatically be extended by this provision.

Renewal: At least one hundred twenty (120) days prior to the expiration of any one-year term of
this LOC, the Commissioner must receive written notice by registered mail or by overnight courier
service from the Bank that it intends not to extend this LOC; and in the absence of such notice,
this LOC shall automatically be extended.

Upon receipt of notice of non-renewal from the Bank, the Commissioner may, before expiration
of the term of this LOC, draw upon the Bank up to the amount of this LOC, provided that such
draft is accompanied by a statement of the Commissioner on its letterhead that the Applicant has,
at that time, failed to provide a satisfactory replacement bond.

Documentary Requirements: This LOC may be drawn upon by the Commissioner in whole or
in part at any time during its term to secure payment for surface improvement damages and
performance under the lease as described in New Mexico State Land Office Rule 100.23C. Any
such drawings by the Commissioner shall be effected by a demand letter from the Commissioner
on her letterhead stating that the Applicant has defaulted and that the amount demanded is in partial

or full satisfaction of that default.

Drawing may be effected personally, by overnight courier service or by facsimile. If drawing is effected by facsimile, presentation of such drawing documents may be made by fax transmission to _____ or such other fax number identified by Bank in a written notice to you. Presentation via fax requires: (A) telephone notification to Bank, _____ prior to or simultaneously with the sending of such fax transmission and (B) our receipt of original drawing document(s) to: _____, _____, Attention: Letter of Credit Department by overnight courier. Receipt by Bank of original documents(s) is a condition to payment hereunder.

Adjustments: No partial drawing by the Commissioner against this LOC shall extinguish the Bank's obligation to pay any remaining balance upon demand properly made. The outstanding obligation of this LOC shall be reduced by any partial drawing against this LOC, provided that the Bank shall promptly notify the Commissioner in writing of the post-drawing balance following any such drawing(s).

Surrender: If upon demand by the Commissioner, the Bank tenders the full amount represented by this LOC as properly adjusted, the Commissioner shall, upon the request of the Bank, surrender this original LOC and all amendments to the Bank. Similarly, the Commissioner shall surrender this original LOC and all amendments upon request at the expiration of this LOC. Except as expressly stated herein, this undertaking is not subject to any agreement, condition, or qualification. The obligation of the Bank under this LOC is the individual obligation of the Bank and is in no way contingent upon reimbursement with respect thereto.

Additional Terms: Any notice required to be sent to the Commission must be sent to:

Commissioner of Public Lands
State Land Office
Oil Gas & Minerals Division
310 Old Santa Fe Trail
Santa Fe, NM 87501-2708

Except as otherwise stated herein, this Letter of Credit shall be governed by and subject to the laws of the State of New Mexico. Bank and Commissioner agree that any action filed hereunder shall be filed in the First Judicial District Court, Santa Fe, New Mexico, and all parties agree to venue in said court.

This LOC is subject to the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 ("ISP98"), in effect on the date this Letter of Credit is issued, and as to matters not addressed by ISP98 is subject to and governed by New Mexico State Law and applicable U.S. Federal Law. Any dispute under this LOC shall be filed in, and venue shall be, Santa Fe, New Mexico.

Attest:

By: _____

By: _____

(Authorized Bank Signature)

Approved as to form:

By: _____

Commissioner of Public Lands