

May 26, 2026

New Mexico State Land Office
ATTN: Commissioner Stephanie Garcia Richard
Via Email: info@nmslo.gov

Re: Draft Oil and Gas Bonding Rule

Dear Ms. Garcia Richard:

The Surety & Fidelity Association of America ("SFAA") is a non-profit, non-partisan association whose member companies collectively write over 98% of the surety and fidelity bonds in the United States. SFAA is a licensed rating/advisory organization in all states and is designated by state insurance departments as a statistical agent for reporting of fidelity and surety experience. On behalf of SFAA, we appreciate the opportunity to comment on the proposed rulemaking seeking to update bond requirements in the oil and gas sector. SFAA supports the goal of ensuring that financial assurance adequately protects taxpayers and state trust lands from the costs of plugging, abandonment, remediation, and reclamation. SFAA is not taking a position on whether the increased bond requirement is a positive policy change because there is no consensus among surety companies.

According to the agency's published overview, the proposal would raise the minimum per-lease financial assurance requirement to \$150,000 and establish heightened financial assurance requirements for leases that present additional risk. Where a lease presents heightened risk, any increased financial assurance requirement should be clearly identified as such. The operator should receive a written explanation of the specific basis for that determination. A clear written notice from the State Land Office would allow sureties to properly underwrite the risk, evaluate the operator's plan to mitigate or reduce that risk, and assess the time period within which the operator intends to address the conditions that triggered the heightened requirement. Greater clarity would improve fairness, transparency, and compliance. It would be helpful to better understand how many operators fall into each bulk financial assurance category, because the required bond penalties can quickly become very large as the number of leases increases.

SFAA understands the need to protect taxpayers from the cost of restoring well sites, but the policy should first focus on minimizing the number of inactive wells and tightening the standards for temporary abandonment status so that wells do not remain inactive indefinitely. Existing New Mexico rules already limit approved temporary abandonment, and a stronger emphasis on reducing inactivity may be a more practical and effective path toward long-term risk reduction.

Finally, the bond form language itself appears generally workable, but it would be helpful if the form clearly indicated when it is being used to satisfy a heightened financial assurance requirement.

To summarize, SFAA respectfully requests that the State Land Office support a balanced approach that strengthens financial assurance protections while preserving a realistic path to compliance, continued operations where appropriate, and the orderly plugging and abandonment of wells. Thank you for your time and consideration of these concerns. SFAA is available if you have any questions or would like to further discuss its comments.

Sincerely,

Mj Robinson

MJ Robinson
Assistant General Counsel
The Surety and Fidelity Association of America