

**STATE LAND OFFICE - NEW BONDING DRAFT RULE**  
**SUPPLEMENTAL KEY CONCERNS FROM IPANM** *(in addition to the NMOGA/IPANM joint filing)*  
**Submitted Jan. 5, 2025**

**Dear Staff of the State Land Office,**

Thank you for your input sessions and further consideration of our concerns hereby included in this supplemental submission from IPANM.

Our **General** key concerns which warrant further discussion and consideration, include:

- The **\$150,000 minimum bond**, which appears uniform regardless of lease size or acreage, raising issues due to the **diversity in lease sizes** (e.g., 80-acre, 160-acre, full section 640 acres, or split leases).
- There needs to be some reasonable flexibility built-in to this \$150,000 minimum bonding amount, including **flexibility for a lower bond if a company is already in good standing with the SLO**.
- **Increasing bonding with age or risk of the assets is both inexact and unfair**. If this is a contingency, then a defined start date would need to be agreed upon and that should not be spud date. Maybe a date at which a recompletion on the lease that extends the useful life, or a new drill on a given lease. Either of these options should "reset" the clock.
- **Split leases with multiple operators** complicate bonding responsibility and enforcement, especially when the record title holder is unclear or absent.
- A **waiver for no service occupancy exists but is subject to commissioner discretion**, making its availability uncertain and a concern for operators.
- Potential **bonding requirements for World War II-era leases**, which may impose significant financial burdens.
- **Additional bonding could be required per well on a lease** due to the timing of OCD's new well bonding increases, potentially doubling the financial impact if multiple wells exist, affecting small and mid-sized operators disproportionately.
- The **duplication of bonding and reporting requirements**, including for right-of-way leases and business leases, raises questions about efficiency and fairness. For example, whether a new lease triggers an additional bond if a right-of-way exists remains unclear.

**IPANM believes the proposals put forth in the NMOGA/IPANM consolidated industry submission address a number of the General key concerns raised above**, though we believe further discussion is necessary to further convey our concerns.

**IPANM Specific Supplemental Redlines** *(beyond those submitted by NMOGA/IPANM's joint filing)* include, but are not limited to:

- For Single Lease Bonding, please consider revising the bonding figure from **\$150,000** proposed by SLO to **\$75,000**, which we consider more representative of the true cost of bonding estimates per lease.
- For Bulk Bonding please consider revising bonding figures **in red**:
  - Lessees ~~holding ten or more leases~~ that are required under this rule to be secured by a bond may, with the commissioner's written approval, submit a single bond to cover multiple leases, according to the following schedule:
    - **Between 2 and 9 leases: \$50,000 per lease**
    - **Between 10 and 19 leases: \$40,000 per lease**
    - **Between 20 and 49 leases: \$35,000 per lease**
    - **Fifty or more leases: \$30,000 per lease**

IPANM members fully intend to comply with final rules, but the lower bonding levels proposed above will keep smaller operators from going out of business. Current existing bonding increases represent a 600% immediate increase of bonding costs at minimum, and for multiple wells, represent thousands-of-percent increases that no business could reasonably absorb exception billion-dollar multi-nation corporations. We do not believe it's in New Mexico's best interest for the State Land Office to kill a lot of smaller, state-based, good operators to leave only a handful of supermajors. We hope you agree.

**Highest Regards,**



Jim Winchester, on behalf of the 350+ members of IPANM

