



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
New Mexico State Office
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Santa Fe, New Mexico 87502-0115
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IN REPLY REFER TO:

3104 (91000)

October 12, 2005

Mr. Mark E. Fesmire, PE
Director
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87501

Dear Mr. Fesmire:

I am offering the following comments in response to the Oil Conservation Division's (OCD's) proposed rulemaking for bonding on all mineral estate within the State. These comments refer only to the Federal mineral estate which is subject to the Federal preemption doctrine and not to either State or private mineral estates.

As you are aware, the Bureau of Land Management (BLM) requires bonding on numerous activities which the Agency permits. Bonding requirements for oil and gas leases on the Federal mineral estate can be found at 43 CFR 3104. The requirements in the regulations speak to lease bonds, statewide bonds, and nationwide bonds. The regulations allow for minimum bonds where the authorized officer deems that is adequate, and increased bonds when the minimum bond is not sufficient to protect the interests of the Federal Government.

Nationwide, approximately \$125 million is available on bonds covering Federal oil and gas leases. In the 5-year period from October 1, 1998 to October 1, 2003, demands on bonds were required in 17 instances for \$2.7 million. During that time, the BLM increased 35 bonds for \$3.6 million. Almost 5,900 wells were plugged by the operator and another 1,400 were plugged and surface reclaimed by the operator.

For New Mexico BLM, approximately \$25 million is available on bonds covering Federal oil and gas leases. In the 5-year period from October 1, 1998 to October 1, 2003, demands on bonds were required in three instances for \$50,000. During that time, the BLM increased three bonds for \$750,000. Almost 3,300 wells were plugged by the operator and another 1,100 were plugged and surface reclaimed by the operator.

In New Mexico, the BLM has initiated an aggressive program to address wells in temporarily abandoned status to determine whether or not that is the appropriate status, or whether they should be produced or plugged. We have initiated programs in both the NW and SE sectors of

the State, in partnership with the ranching community, the oil and gas industry, and other state and Federal agencies, to increase reclamation of rangelands taken out of production from past activities.

In addition, the recently passed Energy Act provides incentives for the oil and gas industry to remediate areas in which they are not responsible for past activities. Legislatively, the BLM now has the means of a financial resource to plug wells and reclaim surface areas where the operator has gone into bankruptcy or abandoned the property.

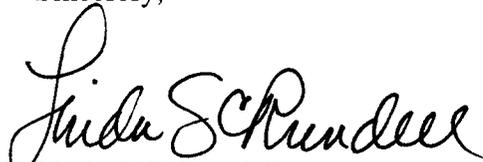
The point of the above discussion is that the BLM is well able to manage bonding requirements on oil and gas activities on the Federal mineral estate, and we are doing so. I confess that I do not see where the new rules being considered by the State are necessary or justified.

The New Mexico OCD also proposes to assume approval authority for lessees or operators on Federal leases. Conceivably, this not only could conflict with BLM's decision but opens the door for potentially serious abuses. Again, BLM's regulations clearly give the Agency the tools and the authority to deal with questionable operators.

My office has enjoyed a close and productive relationship with the New Mexico OCD for many years. In most instances, our objectives run parallel to each other. We hope to continue to be able to work in the spirit of cooperation to ensure that oil and gas development in New Mexico continues in a responsible manner. Thus, it is my sincere hope that you will reconsider the need to promulgate rules which potentially set the stage for serious legal issues.

If you have any questions regarding this letter, please contact Dennis Stenger, Deputy State Director of Minerals and Lands, at 505-438-7538.

Sincerely,


Linda S.C. Rundell
State Director