

Irrevocable Letters of Credit

An irrevocable letter of credit must be issued by a financial institution organized or authorized to do business in the United States and identify the Department of the Interior, Bureau of Land Management as the sole payee with full authority to demand immediate payment in the case of default in the performance of the terms the notice and/or plan of operations or of default with replacement when required.

A Letter of Credit (LC) must be presented to the BLM Oregon/Washington State Office as follows:

1. The LC must be payable to the Department of the Interior - BLM.
2. The initial expiration date must not be less than one year from the effective date of the LC. The LC must contain a provision for automatic renewal for periods of not less than one-year in the absence of notice from the bank to the BLM Oregon/Washington State Office at least 90 days prior to the originally stated or any extended expiration date of bank's election not to renew.
3. The LC must contain provisions allowing collection by BLM for failure of the obligor to replace the bond when 90-day notice is given by the bank that the LC will not be renewed and the LC is not replaced by other suitable bond or LC at least 30 days before its expiration date.
4. The LC shall be payable to the BLM upon demand, in part or in full, upon receipt from the authorized officer (BLM Oregon/Washington State Office) of a notice of attachment stating the basis therefore, e.g., default in compliance with the notice or plan of operations or the failure to file a replacement for an expiring LC as described in Item 3 above.
5. The LC must be subject to the Uniform Customs and Practice for Documentary Credits.

The following page is sample language to be used when securing an Irrevocable Letter Credit.

Irrevocable Letter of Credit No.: _____ Date Issued: _____

Beneficiary:
DOI, Bureau of Land Management
Oregon/Washington State Office
333 SW First Ave
PO Box 2965
Portland, OR 97208

Ladies and Gentlemen:

On behalf of (operator or other entity) _____ of _____ (address) _____, as obligor, we (bank) of _____ (address) _____ hereby establish an Irrevocable Letter of Credit in favor of the U.S. Department of Interior, Bureau of Land Management (BLM) and agree to pay upon demand by BLM, up to an aggregate amount of U.S.\$ _____ upon receipt of your sight draft(s) on us and your written notification signed by a purported authorized officer of the BLM to the effect the obligor has been determined to be in default and the amount drawn represents the reasonable amount, as determined by the BLM, of such default.

This Letter of Credit is available with (bank or financial institution) at (address) by sight payment. Partial drawings are permitted.

This Letter of Credit is effective (date) _____, and will expire at our offices in _____ (address) _____ on (minimum of 1 year from effective date), and shall thereafter be automatically renewed for a one year period upon such date and upon each anniversary of such date, unless at least ninety (90) days prior to the then current expiration date we notify you at the above address by courier service, that we elect not to renew this letter of credit for such additional period.

Upon receipt by the BLM of such a notice from us not to renew this Letter, the BLM may draw on us at sight for up to the amount of the Letter of Credit, prior to the expiration thereof, provided that such a draft is accompanied by a statement signed by a purported authorized officer of the BLM that no satisfactory replacement bond has been provided by the obligor prior to 30 days before this Letter of Credit expires.

It shall not be required for the BLM, in order to draw on this Letter of Credit, to furnish the original Letter; however, it is understood, as a condition of any payment thereunder, that the face amount of the Letter shall automatically be reduced by any payment made by the bank and that the BLM will promptly surrender the original Letter of Credit when and if the bank shall tender to the BLM the full amount of funds represented by this Letter; such surrender to occur as soon as reasonably practical after full payment is made. The original Letter of Credit shall also be surrendered promptly following its expiration.

We promise that the amount of credit herein established will not be reduced for any reason during the effectiveness of this Letter of Credit without the prior written approval of the BLM. *Optional: We are informed that this Letter of Credit is issued per the requirements of Title 43 Code of Federal Regulations, Subpart 3809.*

This credit is subject to the Uniform Customs and Practice for Documentary Credits, (USP 600) 2007 Revision.