

Bond Adequacy Review Instructions

The Bureau of Land Management (BLM) must review each bond at least once during a 5-year cycle. However, in addition to the triggers listed in the IM that require a bond review, the Authorized Officer (AO) should consider reviewing bonds under the following situations:

1. Whenever an operator submits an Application for Permit to Drill (APD), and the BLM has not reviewed that operator's bond adequacy within the last 5 years.
2. If an operator has caused the BLM to make a demand for payment under a bond within the 5-year period prior to filing an APD, the BLM will require a bond in an amount equal to the actual costs to permanently plug and abandon the subject well and adequately reclaim the lands before the APD can be approved.
3. Whenever the operator(s) fails to timely plug and abandon a well or adequately reclaim the land.
4. If the AO deems a bond review is necessary following repeated Incidents of Non-Compliance (INCs) or any incident pertaining to Drilling Without Approval (DWOA) by an operator.
5. If the operator has a prior history of non-payment of monies due, such as failure to comply with a bond increase, payment demands from the Office of Natural Resources Revenue, or monetary demands from the Ad O.

The two critical areas resulting in the largest number of points awarded are the well status and the operator's compliance history with BLM's demands and instructions. Point breakdowns, as used in the Bond Adequacy Review Excel Worksheet (Attachment 2), are as follows:

Status of Each Well Covered by a Specific Bond

For wells idled for more than 4 years, points are awarded as follows:

1. [# of wells idled for 4 to 10 years] x 20 = Variable points
2. [# of wells idled for 10 to 20 years] x 40 = Variable points
3. [# of wells idled for more than 20 years] x 150 = Variable points

If the bond provides coverage for more idled wells than active wells or wells with beneficial use, then the BLM will require the operator to provide a full liability bond for the associated risk related to all its operations.

Operator-Specific Compliance History

Risk Factor Based on Operator-Specific History	Points Per Event
1. For each major INC (refer to 43 CFR 3160.0-5) within the last 3 years.	10
2. For each minor INC (refer to 43 CFR 3160.0-5) within the last 3 years.	5
3. For each default on any bond in the last 3 years.	300
4. For each Non-Compliance Shut-in/Shut-down of Operations in the last 3 years.	100
5. For each Immediate Assessment Issued in the last 3 years.	20
6. For each civil penalty issued for failure to comply with INCs in the last 3 years.	100

Instructions

The increased bond amount cannot exceed the maximum bond total under 43 CFR 3104.5(b), which states that this amount must not exceed the sum of the estimated costs to plugging and reclamation, the amount of uncollected royalties due to the Office of Natural Resources Revenue, and the amount of monies owed to the BLM due to previous violations that remain outstanding.

For statewide bonds, the SO may perform the bond adequacy review itself or request the field offices to each complete the review and consolidate the reviews into one bond adequacy review that considers all liabilities associated with the bond. To consolidate multiple field office reviews, the SOs should use Attachment 2.

NOTE:

- Offices need to focus on securing past bond increase proposals, and balance available staff with efforts to propose increases from other bonds. Offices should not approve any new APD for an operator while waiting on bond increases.
- The BLM does not have the authority to increase or decrease bond amounts on Indian properties. However, during review of Indian bonds, the BLM will use the risk factors and corresponding bond conversion table discussed in this attachment and send the results of any proposed bond adjustment on Indian properties to the appropriate Bureau of Indian Affairs office with a statement summarizing the BLM's review.