**Attachment 1 Bond Adequacy Review Instructions**

The Bureau of Land management (BLM) Field Offices (FO) must review each bond at least once during a 5-year cycle. However, an appropriate time to review the adequacy of any bond would include:

1. When the BLM receives a proposal for a change of operator in writing.
2. Prior to approval of a successor unit operator or successor communization operator.
3. Prior to approval of a record title assignment or a transfer of operating rights if the property contains any wells that have been idle for 7 years or longer.
4. Whenever the operator submits an Application for Permit to Drill (APD) and the BLM has not reviewed the bond adequacy within the last 5 years.
5. Whenever the operator(s) fails to timely plug and abandon a well or adequately reclaim the land.
6. If the Authorized Officer (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.
7. If the U.S. Forest Service requests the BLM to increase the bond amount, the BLM will review and follow the bond guidance to determine the need for an increase. However, to be consistent with the BLM Bond Adequacy Review policy as established in this IM, the AO has the responsibility to ensure that the bond amount meets the amount set by the applicable statutes and regulations, using the prescribed point system as outlined below.
8. Prior to approval of an APD. However, please note that 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 if the same operator has caused the BLM to make a demand for payment under a bond within the 5-year period prior to the APD filing.

The three critical areas resulting in the largest number of points awarded are the well status, the operator’s compliance history with BLM’s demands and instructions, and reclamation stewardship activities. Point breakdowns, as used in the Bond Adequacy Review Excel Worksheet (Attachment 3), are as follows**:**

**Status of each well covered by a specific bond**

1. For wells idle for more than 7 years, points are awarded as follows:
2. # of wells idle for more than 7 years, but less than 25 years

X [Average depth (TVD) of the idle wells]

X (0.01) = Variable points

1. # of wells idle for more than 25 years

X (Average depth (TVD) of the idle wells)

X (0.02) = Variable points

|  |  |
| --- | --- |
| 1. If the average oil production per oil well, per day, over the past 12 months is greater than 10 barrels per day; (Points credited if the operator does not have points from compliance history below).

- (YES - **50 points credit** or NO – 0 credit) | -50 points |
| 1. If the average gas production per gas well, per day, over the past 12 months is more than 60 thousand cubic feet (MCF) per day; (Points credited if the operator does not have points from compliance history below) - (YES - **50 points credit** or NO – 0 credit)
 | -50 points |

**Operator-specific compliance history**

|  |  |
| --- | --- |
| 1. For eachmajor INC[[1]](#footnote-1) within the last 3 years.
 | 10 Points |
| 1. For each separate incident of DWOA, in addition to number 1 (directly above).
 | 100 Points |
| 1. For each avoidable major undesirable event, as defined in NTL-3A, during the last 3 years
 | 10 Points |
| 1. For each minor INC within the last 3 years.
 | 5 Points |
| 1. For each default on any bond in the last 3 years.
 | 100 Points |
| 1. For each shut-in/shut-down of operations in the last 3 years.
 | 100 Points |
| 1. For each civil penalty issued for failure to comply with a written order or INC in the last 3 years.
 | 50 Points |
| 1. If any production accountability inspection resulted in a recovery (under-reported volume on the Oil and Gas Operations Report (OGOR)) of more than 500 barrels of oil or 50,000 MCF of gas in the last 3 years.
 | 50 Points |

**Reclamation stewardship**

Onshore Order Number 1 requires the operator to submit a plan for surface reclamation or stabilization of all disturbed areas. This plan must address implementation of interim (during production) reclamation as well as final abandonment of all disturbed areas as soon as practicable. If the operator has accumulated any reclamation-related written orders or INCs, use the following point system below:

|  |  |
| --- | --- |
| 1. For each reclamation written order issued during the last 5 years which is not an INC.
 | 5 points |
| 1. For each reclamation INC issued during the last 5 years.
 | 10 points |

**Instructions**

* The AO has the discretion on the final amount for a bond increase or decrease supported by proper documentation for those changes. The AO may also consider the staff time and workload involved in pursuing an increased bond amount and other priorities demanding staff time and workload when making the final determination on the amount of bond increase, and based upon these considerations, the AO may choose to maintain the current bond amount. For example, the AO may determine that pursuing a bond increase below a certain dollar threshold would cost more than the bond increase amount would return, or that pursuing the bond increase would not be justified when considering other priorities demanding staff time and workload.
* The increased bond amount cannot exceed the maximum bond total under 43 C.F.R. 3104.5(b), which states that this amount must not exceed the total of the estimated costs to plug and reclaim, amount of uncollected royalties due to the Office of Natural Resources Revenue, and amount of monies owed to the BLM due to previous violations that remain outstanding.
* For statewide bonds, the State Office (SO) will adjust up to the combined amount from the top two FO amounts for its new bond adequacy target. For nationwide bonds, the SO that is responsible for this determination will adjust up to the combined amount from at least the top two SO amounts for its new bond adequacy target.

**NOTE:** Offices need to focus on securing past bond increase proposals, and balance available staff resources with efforts to propose increases from other bonds. Office should not approve any new APD for an operator while waiting on the 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 listed above and send the results of any proposed bond adjustment on Indian properties to the respective Bureau of Indian Affairs office with a statement summarizing the BLM’s review.

1. Onshore Order #2 Section III defines major and minor violations that may warrant the BLM to issue INCs. [↑](#footnote-ref-1)