

FLUID MINERALS BOND PROCESSING USER GUIDE

VI. Bonds For Compensatory Royalty AgreementsKeywords

A compensatory royalty agreement (CRA) may be entered into to compensate the United States for existing drainage or anticipated drainage, or in lieu of a right-of-way lease under the Act of May 21, 1930 (see Handbook 3109-1). A CRA also may be entered into a situation where mineral interests have reverted to the United States and the lands are not available for lease but are adjacent to lands that contain a producing well (see Handbook 3100-1, Chapter 2).

COMPENSATORY
ROYALTY AGREEMENT
BONDING

Generally, a CRA represents a royalty obligation only and does not permit drilling activities. A bond, therefore, is **not** be required, except in those instances where a well is located on the lands included in the CRA, which is unlikely.

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VII. Bonds for Gas Storage Agreements

A gas storage agreement (GSA) is authorized to allow Federal lands to be used to store natural gas during periods of excess production, whether produced from Federal or other lands, so that supplies will be available to meet peak demands. Bonding, conditioned upon compliance with the terms of the gas storage agreement, must be filed and accepted prior to approval of the GSA. Either a surety or personal bond is acceptable. The bond amount must not be less than \$25,000 and is to be based on the annual storage fee plus the estimated quarterly injection and withdrawal fees. The procedures for review and acceptance of such GSA bonds are similar to those described in Section IV, above, concerning unit operator's bonds. See Illustration 35 for an example GSA bond and Illustration 36 for a decision accepting a bond for a GSA.

KeywordsGAS STORAGE
AGREEMENT BOND

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