

FLUID MINERALS BOND PROCESSING USER GUIDE

KeywordsXI. Processing Riders to BondsA. General

Riders to bonds are filed for many reasons. Riders can accompany the original bond when it is filed or be filed subsequent to the acceptance of the original bond in order to allow approval of some action, such as a lease assignment, drilling activity, or adding coverage for geophysical exploration operations (for lands not held under lease by the principal/obligor) to an existing statewide/nationwide bond. As with bonds, the processing of bond riders must be handled promptly.

BOND
RIDERS

A bond rider will not be necessary to cover an operator when that operator maintains a statewide/nationwide bond that already contains the conditions extending coverage to the principal as a designated operator. Such riders were required after the oil and gas leasing regulations were changed in August 1983 to allow a designated operator to provide his/her own bond coverage. The language in the June 1987 and June 1988 editions of the bond Form 3000-4 covers a principal in all capacities of operations. Bond forms **pre-dating** the June 1987 edition of the bond form must carry a rider to cover operations where the principal/obligor holds no interest in leases (see Illustration 4).

NOTE: A rider is **not** to be used on an assignee's bond to assume any prior liabilities of the assignor because the regulations (43 CFR 3106.7-2) provide that the assignee, by seeking approval of the assignment and being substituted in place of the assignor, assumes the responsibility for complying with all lease obligations including obligations that have already accrued. (See the Regional Solicitor's Memorandum dated January 20, 1987 (Appendix 19) and Section XII, below.)

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B. Processing Bond Riders

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive bond rider. Date/time stamp and forward to Adjudication.	
ABSS Entry ALMRS Entry	2.	Enter the bond rider data into the ABSS according to procedures in the ABSS User Guide and, if an individual lease bond, into Case Recordation. 2a. Enter Action Date: Date rider to bond filed; DE 2960 Action Code 478/DE 2910 Action Code 992; Action Remarks (ABSS): Reason for rider; Action Remarks (Case Recordation): Applicable BLM bond number and reason for rider;	AUTOMATED NOTATION
Adjudication	3.	Check the bond rider for the following	
	3a	All riders must be executed by the principal and surety in the same manner as required for the bond itself, except a consent of surety to change of name of principal, which may be executed solely by the surety (see Sections II.C, III.B, and IV.C, above).	EXECUTION BY PRINCIPAL/ SURETY
	3b.	Check that surety's corporate seal is affixed. Signature for the surety must be accompanied by proof of signing authority, such as a POA.	SURETY CORPORATE SEAL
	3c.	In most instances, when a rider is filed in an office other than the office maintaining the bond, forward the original of the rider by memorandum to the appropriate office for acceptance with a copy of the memorandum attached to the decision sent to the principal and the surety (see Illustration 10).	RIDER FORWARDED TO OFFICE MAINTAINING BOND FOR ACCEPTANCE OF RIDER

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Responsible Official	Step	Action	Keywords
	3d.	If a rider to a statewide or nationwide bond is filed in a State Office having jurisdiction of the lease operations to be covered by that rider, and the statewide/nationwide bond is maintained in another State Office, it may be accepted by the receiving State Office <u>if immediate acceptance of the rider is necessary</u> . Close coordination between the two offices involved is very important.	RIDER FILED IN OFFICE NOT MAINTAINING BOND
	3e.	If a rider is accepted in an office other than that office where the bond is maintained, a copy of the decision accepting the rider, with the original of the of the rider attached, must be transmitted to the office that maintains the bond. The office maintaining the bond will input the acceptance of the rider in the ABSS.	RIDER FORWARDED TO OFFICE MAINTAINING BOND AFTER RIDER ACCEPTED IN OFFICE WITH JURISDICTION OF OPERATIONS
		Check that the execution date on the rider is completed and precedes the date of filing of the rider. If the date of execution is not completed, the rider must be returned to the principal for correction.	EXECUTION DATE
		Often parties will attempt to file a rider to be effective at some future date. Postdated bonds and riders are unacceptable, and the parties are to be advised that bonds or riders may be executed with a provision that the bond or a rider thereto are to become effective at some certain later date, but that the execution date must precede the date of filing.	EXECUTION POSTDATED

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Responsible Official	Step	Action	Keywords
	3g	Access the ABSS to determine if the bond is valid and that the surety is acceptable. If a surety is decertified, return the rider as unacceptable and request a new bond, either in the form of a personal bond or a bond from an acceptable surety.	QUALIFIED SURETY
	4	If the bond is a personal bond, a rider may be submitted by the obligor for such actions as a consent of surety and/or assumption of liability. Such a rider needs to be submitted on the obligor's letterhead, but may be in letter form, and must fully identify the personal bond being conditioned.	
ABSS Entry ALMRS Entry	5.	Enter into the ABSS, and into Case Recordation (if an individual bond)	AUTOMATED NOTATION
	5a.	Enter Action Date: Date rider returned; DE 2960 Action Code 481/DE 2910 Action Code 995; Action Remarks (ABSS): Reason for return of rider; Action Remarks (Case Recordation): Note the BLM bond number and to whom returned; General Remarks (Case Recordation): Reason rider returned; OR	
	5b.	Enter Action Date: Date of decision declaring rider unacceptable; DE 2960 Action Code 480/DE 2910 Action Code 994; Action Remarks (ABSS): Reason rider unacceptable; Action Remarks (Case Recordation): Note the BLM bond number; General Remarks (Case Recordation): Reason rider is unacceptable.	

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Adjudication	6.	Determine whether the bond rider is consistent with any affected lease and the current leasing regulations. A rider attempting to extend a lease bond to cover a coal lease on the same lands is not authorized by regulation. A rider extending a statewide or nationwide bond to include oil and gas exploration operations, under 43 CFR 3154, or to include geothermal leases, under 43 CFR 3206.8, is consistent with the regulations. A rider extending statewide or nationwide bond coverage to unit operations also is consistent with the regulations.	RIDER CONSISTENT WITH REGULATIONS
		Determine if acceptance of the rider is discretionary and is subject to a review by the Field Office Fluid Mineral Operations staff. Reduction of a \$50,000 statewide bond covering lands (public domain and acquired lands minerals) in one geographic State to \$25,000, even though consistent with the current leasing regulations, is not be approved unless all the BLM officials approving development operations in the State can report on the acceptability of such a reduction.	RIDER ACCEPTANCE DISCRETIONARY
	8	Check that the rider properly refers to the original bond by cross-referencing the bond number or by reciting the name of the original principal and the date the original bond was executed.	CROSS-REFERENCE TO ORIGINAL BOND
	9	Follow procedures in Step II.C.4k, above, for handling the POA.	POWER OF ATTORNEY
	10.	If the bond rider is unacceptable, return by a decision to the principal and/or agent, by certified mail, explaining the defects and why acceptance is denied. Send copies of the decision to all principals and the surety (c/o the attorney-in-fact).	UNACCEPTABLE BOND RIDER

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Responsible Official	Step	Action	Keywords
ABSS Entry ALMRS Entry	11.	If the bond rider is returned, repeat Step XI.B5; above.	AUTOMATED NOTATION
Adjudication	12	If the rider is acceptable, prepare a decision (see Illustration 51), effective as of the later of the following dates:	RIDER ACCEPTANCE DECISION
	12a.	The date the rider was accepted by either the State Office maintaining the bond or the State Office where lease operations are to be covered (if other than office maintaining the original bond).	EFFECTIVE DATE
	12b.	The effective date indicated on the bond rider.	
	13.	After the decision is signed, distribute the copies to the principal, surety (c/o the attorney-in-fact), and appropriate Field Office Fluid Mineral Operations staff, and route for ABSS Entry.	
ABSS Entry ALMRS Entry	14.	Enter into the ABSS and, if an individual bond, in Case Recordation:	AUTOMATED NOTATION
	14a.	In ABSS: Enter Action Date: Date of decision accepting rider; DE 2960 Action Code 479; Action Remarks: EFF MM/DD/YYYY; Action Remarks (or General Remarks): Purpose of rider.	
	14b	In Case Recordation (individual bonds only): Enter Action Date: Date of decision Accepting rider; DE 2910 Action Code 993; Action Remarks: EFF MM/DD/YYYY; Applicable BLM bond number.	