

FLUID MINERALS BOND PROCESSING USER GUIDE

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14. Bond of Oil and Gas Lessee, Form 3104-1 (August 1973 Edition)
15. Bond of Oil and Gas Lessee, Form 3106-1 (June 1968 Edition)
16. Oil and Gas Exploration Bond, Form 3045-3 (May 1981 Edition)
17. Oil and Gas Exploration Bond, Form 3107-3 (December 1967 Edition)
18. Regional Solicitor's Memorandum (No. BLM.ER.0659), Dated October 26, 1989, "Federal Oil and Gas Lease Bonding - Period of Liability"
19. Regional Solicitor's Memorandum (No. BLM.23.RM.0814), Dated January 20, 1987, "Effect of Assignment Approval on Assignee's Corporate Surety"
20. Instructions for Accessing ALMRS Automated Bond Bulletin Board
21. Memorandum of April 10, 1987 Indicating Priority Collection on Oil and Gas Bonds
22. Solicitor's Memorandum (No. BLM.ER.0645), Dated May 19, 1987, "Guidance in the treatment of lessees who have filed for relief under Chapters 7 and 11 of the Bankruptcy Code 11 U.S.C. 101, et. seq."

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Keywords

I. Bonding Requirements, General

A. When Bond Coverage is Required

Bond coverage is required prior to the BLM approval of any lease development involving surface disturbance related to drilling operations, i.e., prior to approval of an Application for Permit to Drill (APD). When a change of operator on a Federal lease comes to the attention of the Field Office Fluid Mineral Operations staff, it must determine that the new operator is properly bonded under the current regulations before officially recognizing the new operator (see 43 CFR 3162.3(a)). Bond coverage must be continued in full force and effect until all the terms and conditions of the entire leasehold covered by the bond have been met. This includes complete and timely plugging of all wells, reclamation of the lease area, the restoration of any lands or surface waters adversely affected by lease operations after the cessation or abandonment of oil or gas operations on the lease have been completed, and when all royalty obligations, including compensatory royalty, have been met.

BOND COVERAGE
REQUIREMENTS

Oil and gas bonds do **not** extend coverage to any off-lease facilities or rights-of-way off the leasehold.

OIL AND GAS BOND
DOES NOT COVER
OFF-LEASE
RIGHTS-OF-WAY

Bond coverage is not required for producing leases that do not contain a well, e.g., leases receiving only allocated production. However, such leases normally are covered by an existing statewide, nationwide, or unit bond in which the principal holds an interest in the involved leases. Should the MMS request that the BLM demand payment for royalty-related obligations for such leases, the BLM is not precluded from demanding payment because such leases are included in the terms of a statewide, nationwide, or unit bond.

A separate bond is **not** required for protection of a private surface owner since protection of the surface owner, who has a statutory right to compensation in connection with a reservation of oil and gas deposits to the United States, is already provided by the Federal oil and gas lease bond. In cases where the surface owner does not have such a statutory right, compensation or reparation is a matter for private resolution between the surface owner and the lessee or operator. (See also Sections XXI.A and XXI.B, below).

BOND COVERAGE
FOR PRIVATE
SURFACE OWNER
PROVIDED BY
OIL AND GAS BOND

FLUID MINERALS BOND PROCESSING USER GUIDEKeywords

Holders of individual, statewide, or nationwide oil and gas lease bonds are allowed to conduct geophysical exploration on their leaseholds without further bonding coverage. Holders of statewide or nationwide lease bonds wishing to conduct geophysical exploration on lands they do not have under lease may obtain a rider to their bond to include exploration operations. The holder of a nationwide oil and gas lease bond may obtain a rider to include coverage of oil and gas exploration within the NPR-A.

GEOPHYSICAL
EXPLORATION
COVERAGE -
RIDER REQUIRED
FOR LANDS NOT
UNDER LEASE
BY BONDED ENTITY

NOTE: All bonding requirements on Indian leases are handled by the Bureau of Indian Affairs and are not covered in this User Guide.

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B. Bond Guarantees

Keywords

A bond is a financial guarantee, proffered to provide assurance to one party that another party will fulfill an obligation it has undertaken to perform. Up to a specified amount or limit, a bond may guarantee faithful performance, financial strength, and the ability or capacity to perform. Bonds are **not** insurance. Insurance pays, on behalf of the insured, the amount of losses sustained in accordance with the amount of coverage purchased. Under a bond, the principal (or obligor on a personal bond) is responsible to fulfill a contractual obligation. If the principal/obligor does not perform, the bond may be collected.

BONDS NOT INSURANCE

An insurance policy is between two parties, the insurance company and the insured, and either party may cancel the contract unilaterally. A bond may be between two parties, as in the case of a personal bond where the contract is directly between the obligor and the obligee. A surety bond, written for the benefit of a third party, is often obtained, and is a three-way contract among the principal (owner of the bond), the surety (insurance company), and the obligee (the party to whom performance is promised). A bond may only be terminated or cancelled with the consent of **all** parties to that bond, i.e., the consent of the principal, surety, and obligee on a surety bond, or the consent of the principal/obligor and the obligee on a personal bond.

PARTIES TO BONDS

On BLM oil and gas bonds for activities on Federal lands, the principal/obligor is the owner of the bond, or the one for whom the bond is filed; the surety, if it is a surety bond, is the insurance company guaranteeing the principal's performance; and the obligee is the BLM.

DEFINITION OF BOND PARTIES

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Keywords

C. Types of Bonds

BOND TYPES

There are two types of bonds: personal and surety.

1. Corporate Surety Bonds. A surety bond consists of a promise by a principal and surety to the United States that the surety will correct any default when the principal fails to do so, paying up to the limits of the amount of the bond. The acceptance of the surety bond by the BLM on behalf of the United States, and BLM authorization of activity based upon the bond, completes the cycle and makes the bond a three-way contract between the principal, surety, and the United States. This three-way contract can be enforced if the principal fails to comply with the terms and conditions of the lease, including well abandonment and all surface reclamation (including revegetation) costs and all royalties (including compensatory royalty assessments) or back rentals owed the United States Government. Money paid by a principal to obtain a surety's entry into the arrangement is normally called the premium and is solely a private matter between the principal and the surety. Surety bonds must be issued by qualified surety/insurance companies approved by the Department of the Treasury as indicated in the ALMRS Automated Bond and Surety System (ABSS).

SURETY BOND

2. Personal Bonds. The principal (obligor) may furnish a personal bond in lieu of a surety bond to ensure compliance with all the terms and conditions of an oil and gas lease or for geophysical exploration activity on unleased lands. A personal bond must be accompanied by a deposit of either a letter of credit (LOC), certificate of deposit (CD), cashier's check, certified check, or negotiable Federal Treasury securities, e.g., U.S. Treasury bills, bonds, or notes, in a full current market value equal to the bond amount required by the Federal oil and gas regulations.

PERSONAL BOND

FLUID MINERALS BOND PROCESSING USER GUIDEKeywords

Effective June 17, 1988, the regulations at 43 CFR 3104.1(c) were revised to allow the acceptance of LOC's and CD's. The principal/obligor collects interest on CD's and negotiable Federal Treasury securities. All personal bonds must be accompanied by a properly completed copy of the current BLM-approved bond form (see Illustrations 1 and 2), that includes a power of attorney giving the Secretary of the Interior the authority to collect the proceeds in case of any default. A "cash" bond in the form of a cashier's check or certified check is acceptable. However, cash is **not** an acceptable form of remittance for a personal bond. The submission of U.S. Savings Bonds and notes or bonds issued by either a State or local government or a private company also are **not** acceptable forms of security for personal bonds for Federal oil and gas leasing or exploration activities.

UNACCEPTABLE BOND
SECURITIES

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D. Minimum Bond AmountsKeywords

There are three minimum bond amounts covering oil and gas lease activities currently: a \$10,000 individual lease bond covers a single Federal lease; a \$25,000 statewide bond covers all Federal lease operations of the principal in one geographic State; and a \$150,000 nationwide bond covers all Federal lease operations in all States, except the National Petroleum Reserve in Alaska (NPR-A) unless a rider is provided to cover NPR-A lease operations.

BOND AMOUNT -
FEDERAL LEASE
ACTIVITIES

The minimum amounts for oil and gas geophysical exploration bonds are currently: \$5,000 for a single exploration location (the bond is filed with the Field Office Fluid Mineral Operations); \$25,000 for statewide exploration activities; and \$50,000 for nationwide exploration activities.

BOND AMOUNT -
EXPLORATION
ACTIVITIES

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E. Parties Who Can Furnish Bonds

Bond coverage may be furnished by any of the following:

1. The operator on the ground;
2. A lessee;
3. A holder of operating rights (sublessee);
4. A unit operator.

NOTE: In many instances, bonds have been allowed to be filed in the name of an individual in the capacity of "dba" (doing business as). A principal shown on a bond with a "dba" name is likely indicative of an individual that may be a sole proprietorship. Since a sole proprietorship is **not** authorized to hold Federal mineral leases under the qualifications provisions of the Mineral Leasing Act (MLA) of 1920 (30 U.S.C. 181), using only the "dba" name to hold a lease or for lease bond coverage is **not** acceptable. A lease must either be held in the individual's name only, or in the individual's name **and** the "dba" name. (See Handbook 3102-1. See also Tom Milner, 45 IBLA 119 (1980), McClain Hall and Arthur R. Frank, 61 IBLA 202 (1982), and J.F.C Oil & Gas, 60 IBLA 191 (1981).) The IBLA has held that a "dba" after an individual's name should be treated as surplus. Thus, a "dba" could be shown on a bond, but the leases to be covered under such a bond may only be held in the name of the individual to meet the intent of the law and regulations, and the bond itself also must include the name of the individual. If an operator (not holding any lease interests) holds a bond in an individual's name **and** a "dba," nothing in the law or regulations prevents the operator from using the "dba" name only, e.g., on an APD. However, the operator is to be encouraged to use his/her individual name in addition to the "dba" (the same as is shown on the bond). Black's Law Dictionary defines sole proprietorship as a form of business, usually unincorporated, in which one person owns all the assets of the business, in contrast to a partnership and corporation. The sole proprietor is singly liable for all debts of the business.

Keywords

PARTIES WHO
MAY FURNISH
BONDING

DOING BUSINESS AS
("DBA")/SOLE
PROPRIETORSHIP

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F. Bond FormsKeywords

Effective October 1, 1988, in accordance with a notice published in the Federal Register on July 20, 1988, prior editions of the BLM-approved bond forms (pre-June 1988 forms) shall no longer be accepted. Only bonds filed on the current June 1988 or later BLM-approved edition of bond Form 3000-4, Oil and Gas or Geothermal Lease Bond (see Illustration 1), and Form 3000-4a, Oil and Gas or Geothermal Exploration Bond (see Illustration 2), are acceptable. A new bond filed on a BLM-approved form not currently in use would be unacceptable unless the bond form had not been declared obsolete by the BLM prior to the filing of such bond (e.g., as implemented on October 1, 1988, for the current bond forms). However, bonds submitted prior to October 1, 1988, on previous bond forms that have been accepted by the BLM and that are currently still in force and effect, continue to be valid and do not require resubmission on the current revised June 1988 edition of the bond form.

ACCEPTABLE
BOND FORMS

Only a single copy of the bond form is required to be filed with the BLM. When requested, provide information concerning the BLM oil and gas bonding requirements (see Illustration 3).

The June 1988 and June 1987 editions of Form 3000-4 (see Illustration 1 and Appendix 1, respectively) contain language that provides coverage whether the principal has either an interest in a lease and/or is conducting operations on a lease. If the operator holds no interest in the lease on which operations are proposed and is using any of the previous editions of the BLM-approved statewide and nationwide bond forms (see Appendices 2 through 7) to cover the proposed lease operations, a rider to such a previous bond form edition is required to allow the use of that bond by the operator (see Illustration 4). Previously, a separate bond for a lease operator also was allowed (see Appendices 8 through 11 for the previous editions of the BLM-approved operator bond forms).

OPERATOR
PROVIDING BOND

If an entity other than the lessee of record as principal of the bond (or holder of operating rights as principal) is going to operate on the lease, a consent of surety must be furnished by the principal to allow the operator to be covered under the bond (see Illustration 5), or the operator must furnish its own bond coverage.

LESSEE PROVIDING
BOND - CONSENT
OF SURETY FOR
COVERAGE OF
OPERATOR

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Keywords

A designation of operator from either the lessee holding record title interest or the holder of operating rights is not currently required by the BLM. The operator, through submission of an APD, Sundry Notice, or the monthly Report of Operations, accepts responsibility under the terms and conditions of the lease for operations conducted on the lease or portion of the lease. A person or entity also may meet the requirements to accept responsibility by submitting a statement, as follows, signed by an authorized person and dated:

DESIGNATION OF
OPERATOR NOT
REQUIRED

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

STATEMENT OF
RESPONSIBILITY

Lease No.

Bond Coverage: (Indicate
if individually bonded
or under another's bond)

Legal Description of Land:

Formation(s) (if applicable):
BLM Bond File No.:

Date:

Authorized Signature:
Title:

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KeywordsG. Terminating Period of Liability

Once a bond has been accepted by the BLM, its period of liability can be terminated only pursuant to its own terms. The bond itself is **not** cancelled or terminated. The United States, acting through the BLM, cannot terminate the period of liability of a bond until all obligations of the lease terms have been fulfilled or until a satisfactory replacement bond (or bonds) has been accepted by the BLM. The BLM terminates the "period of liability" of the bond, i.e., it indicates a specific date, after which no new liability may accrue under the bond. This does not mean that the surety may deny liability for a cause of action accruing **before** termination of the period of liability. Termination of the period of liability means only that the exact date has been set beyond which no **new** cause of action may accrue. The BLM does not unconditionally release the surety from all past, present, or future liability. (See Sections XIV, XV, XVI, and XVII, below. See also Section XIX, Statute of Limitations, below, and the Regional Solicitor's Memorandum (No. BLM ER.0659) dated October 26, 1989, "Federal Oil and Gas Lease Bonding--Period of Liability" (Appendix 18).)

BOND TERMINATION

H. Related Bond References

This User Guide is to be used in conjunction with references to oil and gas bonds found in 43 CFR 3104, 3106, 3154, 3160, and 3180, as well as in Handbook 3106-1.

RELATED BOND
REFERENCES

FLUID MINERALS BOND PROCESSING USER GUIDE

II. Acceptance of Surety Bond for an Individual LeaseKeywordsA. General

This User Guide covers the acceptance of corporate surety bonds that cover only a single lease. A \$10,000 individual lease bond covers all operations of the principal for a specific, individual lease. If the principal or holder of the lease bond is not the entity that will conduct operations on the lease, in order to be covered by the principal's bond, a consent of the surety must be furnished to the BLM by the principal to allow the operations by another entity to be covered under the lease bond.

LEASE BOND
COVERAGE

Prior to the current bond Form 3000-4 (June 1988 or later edition individual lessee bonds or operator's bonds could be filed for operations on a lease (see Appendices 8 through 15). These previous bond forms are now obsolete, and may no longer be used for new bonds. However, many of these older bonds are currently maintained in the BLM State Offices and continue to be in force and effect. Resubmission of the current bond form is **not** required.

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B. Preliminary Review of Bond by Field Office
Fluid Mineral OperationsKeywords

Most individuals or entities file the required bond with an appropriate BLM State Office. However, Field Office Fluid Mineral Operations personnel may receive bonds, and must forward them expeditiously to the SO Fluid Leasing Adjudication staff. If a bond is received in the Field Office and forwarding the bond to the SO Adjudication via the regular mail system for SO acceptance would cause delays in the commencement of operations (e.g., approval of an APD before the end of the primary term of the lease), close telephone coordination between the Field Office Fluid Mineral Operations and SO Fluid Leasing Adjudication staffs is required to ensure that the bond is acceptable prior to approval of any operations on the lease. The original bond must then be promptly forwarded to the SO for formal acceptance after approval of the APD or other operational activity.

BOND RECEIVED
IN FIELD OFFICE
TRANSMITTAL TO
STATE OFFICE
ADJUDICATION

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C. Processing and Acceptance of Bond

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive the bond and date/time stamp. Forward to Docket.	
Docket	2	Pull appropriate case file and forward to Adjudication.	
ABSS Entry ALMRS Entry	3.	Enter the bond abstract into the ABSS and in Case Recordation/ALMRS.	AUTOMATED NOTATION
	3a	Under Case Type: Enter the appropriate case type code for the lease that the bond covers, e.g., 312021, 312022, 311121, 311122, 311211, etc.	
	3b.	Enter Action Date: Date bond filed; DE 2960 Action Code 468/DE 2910 Action Code 376; Action Remarks (Case Recordation): Bond amount, BLM bond number, and name of bond holder; General Remarks (Case Recordation): Name of any other bond holder and BLM bond number with associated well number for any other well maintained under another bond on the same lease.	
Adjudication	4.	Check the bond for the following:	
	4a	Bond is properly executed by the principal, including principal's corporate seal (if available) affixed to the bond form. The relationship of the signatory to the principal is to be shown either on the bond form itself or in an accompanying document.	EXECUTION BY PRINCIPAL/ CORPORATE SEAL

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Responsible Official	Step	Action	Keywords
	4b.	Bond is properly executed by an acceptable surety, with the seal of the corporate surety affixed to the bond form, accompanied by the power of attorney (POA) showing proof of signing authority as the surety's representative on the date that the bond was executed (see Illustration 6).	EXECUTION BY SURETY/SURETY CORPORATE SEAL
	4c.	An acceptable surety is one shown on the surety listing in the ABSS that must be accessed using the procedures in the ABSS User Guide. The automated surety listing is regularly updated by the BLM Business Center Finance Personnel in Denver. The ABSS reflects the most current surety company status.	ACCEPTABLE SURETY.
	<u>NOTE:</u>	If the surety listing reflects the message "SURETY DECERTIFIED-NEW BONDS," this indicates that that the surety will maintain existing bonds, but will not undertake new bond obligations. If the listing reflects the message "SURETY DECERTIFIED-REPLACE BONDS," this indicates that the surety has been decertified by the Treasury Department. The SO Adjudication must review all existing bonds for that surety and request replacement bonds from the principal.	SURETY DECERTIFIED MESSAGE
	4d	Check that bond is for at least \$10,000 and that the third block on the form is marked.	MINIMUM BOND AMOUNT

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Responsible Official	Step	Action	Keywords
		<p><u>NOTE:</u> Some older leases may specifically require that a bond in the amount of \$5,000 must be filed. These cases must be evaluated individually. The basic rule is that any bond filed needs meet the minimum amount required by the current regulations unless a specific lease term indicates differently. Effective February 22, 1960, a lease bond in the amount of \$10,000 was required prior to the beginning of drilling operations. However, effective November 16, 1976, a lease bond in an amount of not less than \$10,000 was required prior to commencement of drilling operations.</p>	
	4e.	<p>A surety bond number is not required to be shown on bond form. In such cases, refer to the bond in the decision of acceptance and on the bond abstract in the ABSS as "Unnumbered Bond." If a number has been assigned by the surety on the bond form, all correspondence is to refer to this number as well as to the ABSS bond number.</p>	BOND NUMBER
	4f.	<p>If the lease serial number is missing or incorrect on the bond form, Adjudication is to fill in or correct it. Furnish a copy of the corrected bond to the surety and principal with the decision of acceptance of the bond.</p>	INCORRECT LEASE SERIAL NUMBER
	4g.	<p>Check that the principal and surety are indicated in the proper locations on the bond form.</p>	

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Responsible Official	Step	Action	Keywords
	4h	Check that the bond amount is properly indicated on the form. The dollar amount must be spelled out, i.e., Ten Thousand and no/100 Dollars. A bond with only figures indicated (\$10,000) must be returned for correction, however, a bond with the figures missing may be accepted if the correct amount is spelled out clearly.	BOND AMOUNT SPELLED OUT
	4i	Check that the execution date on the bond is completed and precedes the date of filing of the bond. If the date of execution is not completed, return the bond to the principal for correction.	EXECUTION DATE COMPLETED
	<u>NOTE:</u>	Parties will sometimes attempt to file a bond to be effective at some future date. Reject such postdated bonds and advise the parties that the bond may be executed with a provision that it will become effective at some certain later date, but that the execution date must precede the date of filing.	EXECUTION POSTDATED
	4j	Access the ABSS to determine if the surety is acceptable.	QUALIFIED SURETY
	4k	<u>Power of Attorney.</u> Examine the POA or other documents showing that the person signing for the surety had the authority to do so on the date the bond was executed. With a normal POA, the document will recite that the surety company has appointed the individual (or others) as its attorney-in-fact on a certain date. This date must be the same as or earlier than the date the bond was executed.	POWER OF ATTORNEY

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Responsible Official	Step	Action	Keywords
		<u>NOTE:</u> At the end of the POA, a completed certificate must be present indicating that the POA is still valid on a certain date (see Illustration 6). This certification must be dated the same date that the bond is executed or within a few days thereafter.	SPECIAL POWER OF ATTORNEY CONDITIONS
	41.	Check the POA and bond carefully to ensure that the POA is not limited to certain conditions. Unless the POA was executed before the bond and also was still valid on the date the bond was executed, the bond is to be returned to the principal by certified mail for correction.	LIMITATIONS OF POWER OF ATTORNEY
	5.	If the bond is determined to be unacceptable for any reasons described in the previous steps, return the bond to the principal by a decision indicating the defects.	UNACCEPTABLE BOND
		<u>NOTE:</u> Since the bond is not considered effective until it is accepted by the United States, imposing time limits for correction of defects is not appropriate. Failure to timely file a bond may be the basis for other adverse actions, such as not approving an APD or a lease assignment/transfer.	
ABSS Entry ALMRS Entry	6.	Enter Action Date: Date of decision declaring bond unacceptable; DE 2960 Action Code 470/DE 2910 Action Code 410; Action Remarks: EFF MM/DD/YYYY; General Remarks: Reason unacceptable (optional).	AUTOMATED NOTATION
Adjudication	7	If the bond is in order, prepare the acceptance decision (see Illustration 7), effective as of the later of the following dates:	BOND ACCEPTANCE DECISION

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Responsible Official	Step	Action	Keywords
	7a	Date the bond was filed in the proper BLM office; or	EFFECTIVE DATE OF BOND
	7b	Effective date indicated on the bond (this would normally occur only with a replacement bond where the principal and surety want the acceptance to coincide with a bond premium date).	
	8.	Forward the decision to the BLM signing official for signature. After signed, distribute to the principal and surety (c/o the attorney-in-fact).	
		Route for ABSS/ALMRS Entry, and filing of the case file and bond. The bond must be maintained in a secured, safe area within the BLM State Office.	SAFEGUARD LEASE BOND IN SECURE AREA
ABSS Entry ALMRS Entry	10	Enter Action Date: Date bond accepted; DE 2960 Action Code 469/DE 2910 Action Code 909; Action Remarks: Effective date of bond (MM/DD/YYYY); and, in Case Recordation, also enter BLM bond number General Remarks (in Case Recordation): Amount (optional), and type of bond.	AUTOMATED NOTATION
	<u>NOTE</u>	The date of entry in the ABSS when accepting a bond is to be the date of the decision of acceptance, with the effective date (MM/DD/YYYY) entered in the Action Remarks.	

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III. Acceptance of Statewide and Nationwide BondsKeywordsA. General

Statewide or nationwide bonds filed on previous editions of bond forms provide different coverage. Bonds completed on pre-July 1984 forms extend coverage only to leases issued under the Mineral Leasing Act of February 25, 1920, and/or the Mineral Leasing Act for Acquired Lands of August 7, 1947, and provide coverage on a State-by-State basis which was calculated at \$25,000 under each Act for each State. A rider to such a bond is required to extend coverage to leases issued under any authority other than the specific Act indicated on that form (see Illustration 8 and Section XI, below). Effective August 1983, the regulations allowed coverage for all leases in one State for \$25,000 without any restriction to the two particular Acts. Although these regulations provided for coverage under both Acts, bonds filed on pre-July 1984 forms must show the State under both columns or coverage will include only that specific Act under which the State is listed. A rider to reduce a \$50,000 bond to \$25,000 covering both Acts may be accepted only with the concurrence of appropriate Field Office Fluid Mineral Operations staff. See Appendices 2 through 7 for copies of previous editions of nationwide and statewide oil and gas bond forms.

BOND FORM
EDITIONSBONDS LIMITED
TO 1920 ACT
AND/OR 1947 ACTBOND FORMS
PREDATING
JULY 1984

The Automated Bond and Surety System must show that a bond filed on a form predating the July 1984 edition only covers minerals on either public domain or acquired lands (Type of Land (DE 2531): FP, FA, or PA). All bonds filed on July 1984 and subsequent editions of the bond form cover all Federal lands (Type of Land (DE 2531): AF).

AUTOMATED BOND
AND SURETY
SYSTEM CODES FOR
TYPE OF LAND

The Field Office Fluid Mineral Operations staff, prior to approving operations based upon the bond, must check the ABSS to determine whether the particular statewide bond covers all leases on both public domain and acquired lands or is only limited to leases on public domain lands or leases only on acquired lands minerals. Nationwide bonds automatically provide coverage under both Acts.

CHECK COVERAGE
FOR BOND FORM
EDITIONS

If the bond contains more than one principal, the SO Fluid Leasing Adjudication must determine whether a single person or company completely owns all the named principals. When a single party is the principal or owns all principals named on a bond and the relationship is shown on the face of the bond, coverage of the bond extends to all interests held by any of the principals. If this ownership relationship does not exist or it is not shown on the face of the bond, coverage extends only to those interests held in common by all of the principals.

MULTIPLE
PRINCIPALS

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Keywords

The following examples demonstrate the extent and limitations of statewide or nationwide bonds with more than a single principal:

EXAMPLES OF
BOND PRINCIPAL
RELATIONSHIPS

1. A bond names John Smith and John Smith, Inc. as co-principals. John Smith owns 100 percent of the stock of John Smith, Inc. This type of statewide/nationwide bond will cover any interests held by either John Smith or John Smith, Inc., provided that the bond itself indicates that John Smith, Inc. is fully owned by John Smith.

2. Mary Jane Doe owns all of ABC Company. In turn, ABC Company owns all the stock of XYZ Company. A bond naming Mary Jane Doe and XYZ Company as co-principals and indicating the relationship between the two parties will cover any interests held by either Mary Jane Doe, ABC Company, or XYZ Company.

3. Mary Jane Doe owns all the stock of both ABC Company and XYZ Company. A bond naming ABC Company and XYZ Company as co-principals will cover all interests held by either ABC Company or XYZ Company, but only if the bond itself shows the common ownership of the two principals.

4. John Smith owns all of the stock of CDE Company. His wife owns all the stock of MNO Corporation. A bond naming CDE Company and MNO Corporation as co-principals will cover only those interests shared in ownership by both CDE Company and MNO Corporation. If, however, only MNO Corporation is to drill on a lease, as long as **both** entities continue to hold record title interest in the lease, an APD could be approved if only the entity drilling the well is named on the APD.

5. If A and B are the limited partnerships of X Company and X Company is the general partner, a rider may be added to the bond of the general partner adding the names of the limited partnerships as co-principals and stating that the general partner is solely or fully liable and responsible for the operations and obligations of the limited partnerships. The bond would then cover the co-principals either jointly or individually because of the common control shown by the rider.

COVERAGE FOR
LIMITED
PARTNERSHIPS

A decision accepting a bond naming more than one principal must clearly indicate whether it covers interests held by any of the principals and their relationship, or covers only those interests which all or both of the principals hold in common (see Illustration 9).

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Keywords

NOTE: The operator must specify on the APD form under which specific bond the operations are to be conducted. Even though one may be specifically referred to on the APD, this does not preclude collecting on other bonds covering the lease if a default of any terms of the lease occurs. The SO Fluid Leasing Adjudication staff is to be advised on the case file copy of the APD, by notation in the ABSS (on the Serial Numbers for Bond Screen), **and** notation in Case Recordation, as to which bond covers the lease operations to allow expeditious processing of assignments on active and producing leases.

OPERATOR
STATEMENT OF
SPECIFIC BOND
COVERING LEASE
OPERATIONS

Where co-principals on a bond are not subsidiaries or limited partnerships, one or the other may conduct operations on the lease as long as **both** co-principals hold an interest in the lease.

CO-PRINCIPALS

Where "undivided" lease interests are involved and bond coverage is required for operations, the operator may furnish a bond if the operator is someone other than the lessee(s). If the operator does not provide the bond, a consent of surety from the bonded party (lessee or sublessee) must be provided to include the operator on the bond under which the operations are to be covered. It is not necessary for all co-lessees to provide a bond. One co-lessee may provide a bond with a statement agreeing to cover 100 percent of the liabilities. The bond must be conditioned by the consent of surety rider required by 43 CFR 3104.2 (see Illustration 5).

UNDIVIDED
INTERESTS

Where "divided" lease interests are involved and bond coverage is required for operations, only the lessees, sublessees, or operators for the affected portion of the lease on which operations are to be conducted need furnish the bond coverage.

DIVIDED
INTERESTS

EXAMPLE: Lease covers the S2 Sec. 15. Companies A, B, C, D, and E hold divided interests in portions of the lease. The SE4 of Sec. 15 is held by Companies C, D, and E. An APD is filed for the SE4SE4; thus, bond coverage is required of the operator who may furnish his/her own bond or may use the bond of either Companies C, D, or E with consent of the surety (but not Companies A and B).

Statewide/nationwide bonds must be entered promptly into the ABSS, i.e., within 5 working days of the action involved (e.g., bond filed by an entity, bond accepted, etc.). Especially in the case of nationwide bonds, failure to enter the bond information timely may cause the delay of approval of various actions in other BLM State Offices.

TIMELY ENTRY INTO
AUTOMATED BOND
AND SURETY SYSTEM

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B. Processing and Acceptance of Statewide and Nationwide Surety Bonds

<u>Responsible Official</u>	<u>Step</u>	<u>Action</u>	<u>Keywords</u>
Receiving Official	1.	Receive and date/time stamp bond. Forward bond to Adjudication.	
ABSS Entry	2.	Enter the bond abstract into the ABSS following the procedures established in the ABSS User Guide.	AUTOMATED NOTATION
	2a.	Enter Action Date: Date bond filed; DE 2960 Action Code 468.	
Adjudication	3.	Check the bond for the following:	
	3a.	Bond is properly executed by the principal, including principal's corporate seal (if available) affixed to the bond form. The relationship of the signatory to the principal is to be shown either on the bond form itself or in an accompanying document.	EXECUTION BY PRINCIPAL/ CORPORATE SEAL
	3b.	Bond is properly executed by an acceptable surety, with the seal of the corporate surety affixed to the bond form, accompanied by the POA showing proof of signing authority as the surety's representative on the date that the bond was executed (see Illustration 6).	EXECUTION BY SURETY/SURETY CORPORATE SEAL
	3c.	Check that amount of bond is adequate and appropriate box is checked on the bond form.	BOND ADEQUACY AMOUNT
	(1)	If the bond amount is not less than \$150,000, the bond is a nationwide bond (see Illustration 1).	NATIONWIDE BOND AMOUNT
	(2)	If bond amount is not less than \$25,000 for each geographic State named on the bond (see Illustration 1), the bond is a statewide bond.	STATEWIDE BOND AMOUNT

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Responsible Official	Step	Action	Keywords
	(3)	If the block on the form for the NPR-A is checked (see Illustration 1), the bond is to be forwarded to the Alaska State Office for acceptance.	NPR-A BOND
	(4)	If no block is checked, informal contact may be made with the surety's representative to determine the type of coverage intended and the bond form may be corrected by Adjudication.	FAILURE TO CHECK BOX ON BOND FORM
	(5)	If more than one block is checked on the bond form, the bond is not acceptable and is to be returned to the principal for correction.	MORE THAN ONE BOX CHECKED ON BOND FORM
	3d.	If the geographic State shown on the bond is not under the jurisdiction of the State Office receiving the bond, forward the bond to the proper State Office by a memorandum with copies sent to the principal and surety (see Illustration 10).	FILED IN WRONG BLM OFFICE
		<u>NOTE:</u> A nationwide bond may be filed in any BLM State Office. A rider to a nationwide bond may be filed in either the SO that accepted the original nationwide bond or in the SO having jurisdiction of the lease(s) affected by the bond rider. Normally, however, riders are to be accepted by the SO maintaining the original bond unless immediate acceptance is necessary.	

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Responsible Official	Step	Action	Keywords
	3e.	Form 3000-4 contains a block for a surety bond number. If a number is indicated, the bond is to be referenced by that number, e.g., Bond No. 459GX1256, in addition to the ABSS bond number, when corresponding with the principal or surety. When no surety bond number is indicated on the bond, refer to it as an "Unnumbered Bond."	BOND NUMBER
	3f.	Check that the principal and surety are indicated in the proper location on the bond.	
	3g.	Check that the bond amount is properly shown on the form. The dollar amount must be spelled out, e.g., Twenty-Five Thousand and No/100 Dollars. A bond with only figures indicated (\$25,000) is to be returned for correction, however, a bond with the figures missing may be accepted if the correct amount is spelled out.	BOND AMOUNT SPELLED OUT
	3h.	Check that the execution date on the bond is completed and precedes the date of filing of the bond. If the date of execution is not completed, return the bond to the principal for correction. If the bond must be returned, see Step III.B.4, below.	EXECUTION DATE COMPLETED
	<u>NOTE:</u>	Parties will sometimes attempt to file a bond to be effective at some future date. Reject such postdated bonds and advise the parties that the bond may be executed with a provision that it will 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
	3i.	Access the ABSS to determine if the surety is acceptable.	QUALIFIED SURETY
	3j.	See Step II.C.4k, above, for handling of the POA.	POWER OF ATTORNEY
	4.	If the bond is determined to be unacceptable, return the bond to the principal by a decision indicating the defects.	UNACCEPTABLE BOND
	<u>NOTE:</u>	Since the bond is not considered effective until it is accepted by the United States, imposing time limits for correction of any defects is not appropriate. Failure to timely file a bond may be the basis for other adverse actions, such as not approving an APD or a lease assignment/transfer.	
ABSS Entry	5.	Enter Action Date: Date of decision declaring bond unacceptable; DE 2960 Action Code 470; Action Remarks: Effective date (MM/DD/YYYY).	AUTOMATED NOTATION
Adjudication	6.	If the bond is in order, prepare an acceptance decision (see Illustration 11), effective as of the later of the following dates:	BOND ACCEPTANCE DECISION
	6a.	Date the bond was filed in the proper BLM office; or	EFFECTIVE DATE OF BOND
	6b.	Effective date indicated on the bond (this would normally occur only with a replacement bond where the principal and surety want the acceptance to coincide with a bond premium date).	
	7.	Forward the decision to the BLM signing official for signature. After signed, distribute to the principal and surety (c/o the attorney-in-fact).	
	8.	Route for ABSS Entry.	

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Responsible Official	Step	Action	Keywords
ABSS Entry	9.	Enter Action Date: Date of decision showing bond accepted; DE 2960 Action Code 469; Action Remarks: Enter effective date of bond (MM/DD/YYYY).	AUTOMATED NOTATION
Adjudication	10.	File bond and acceptance in bond file.	
		<u>NOTE:</u> Access of the public to the original file copies of statewide or nationwide bonds is to be kept very limited. The bonds may be examined by an interested person, but public examination must be under careful scrutiny and constant supervision by the BLM office maintaining these bond files.	SAFEGUARD BONDS

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KeywordsIV. Acceptance of Unit Operator's BondsA. General

The operator of a federally-approved unit agreement may furnish a collective bond for all Federal leases committed to the unit in lieu of separate bonds which would otherwise be required for each Federal lease where bond coverage is required. If a unit operator has a lease bond or an operator's bond covering each lease committed to the unit, a separate unit operator's bond does not have to be provided if the existing amount of bond coverage is determined to be adequate to cover operations in the unit. If the unit operator chooses to obtain a unit operator's bond in lieu of separate lease bonds for each lease, upon request, such prior individual bonds may be terminated when the Field Office Fluid Mineral Operations staff verifies that coverage is provided under the unit operator's bond. When a unit terminates, or a well drilled by the unit operator under its bond is determined **not** capable of producing unitized substances in paying quantities, bond coverage must be obtained for operations continuing on an individual lease basis from the operator assuming responsibility for each well that has been drilled prior to terminating the unit operator's bond.

UNIT OPERATOR'S
BOND

A unit bond must be conditioned on the performance of all duties and obligations under the unit agreement **and** the terms and conditions of all of the leases committed to the unit. The unit bond must be for an amount that the Field Office Fluid Mineral Operations staff determines to be adequate to protect the interests of the United States. In practice, the amount of the unit bond is to be not less than the amount of a statewide bond, i.e., \$25,000. Informal contact between the unit operator and the BLM officials supervising the planned unit operations usually results in setting the unit bond amount before the procedures addressed below take place. A model form for a unit operator's bond is provided in the regulations at 43 CFR 3186.2 if the operator elects to provide such a bond.

MINIMUM BOND
AMOUNT

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Keywords

No distinction in bonding requirements is made between unitized and nonunitized Federal leases under a unit in that a unit agreement is a plan of development and operation for all the leases committed to the unit, treating all such committed leases within the unit boundary as a single lease. A unit operator is formally approved to control and conduct all operations on lands within a unit area when the unit is approved. A unit operator is responsible for leasehold operations in the sense of the terms and conditions of either the June 1987 or June 1988 edition of bond Form 3000-4. Therefore, if a unit operator indicates that its statewide bond coverage on either of these editions of the bond form will apply to the unit operations, the Field Office Fluid Mineral Operations staff is to determine if the amount of the statewide bond needs to be increased and, if so, must notify the SO Fluid Leasing Adjudication staff by a memorandum of the required increase so that the SO Adjudication staff can issue a decision to the principal requiring the increased bond amount.

COVERAGE UNDER
BOND FORMS

Versions of previous bond forms do **not** clearly cover the principal in the capacity of unit operator where the unit operator does not have an interest in the lease. Under the earlier bond forms, the unit operator may provide a rider to the unit operator's statewide/nationwide bond extending the bond's coverage to include its unit operations (see Illustration 12 and Section XI, below, for processing unit riders). A unit operator's statewide/nationwide bond with a designated operator rider will suffice to cover its unit operations. However, if a lessee/sublessee covers the unit operations on a lease basis, a consent of surety/obligor to allow such unit operations coverage must be submitted. Additional discussion related to unit agreements is provided in Handbook 3180-1.

COVERAGE EXTENDED
BY RIDER

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B. Acceptance by Field Office Operations

<u>Responsible Official</u>	<u>Step</u>	<u>Action</u>	<u>Keywords</u>
Field Office Operations	1.	Receive original unit bond from unit operator.	
	2.	Determine whether the amount of the bond is adequate for the proposed unit operations. If inadequate, return the bond to the unit operator advising it of the minimum acceptable bond amount.	BOND AMOUNT ADEQUACY
	3.	Check bond for the following:	
	3a.	If a surety or personal bond, check for exact conformity to the format in 43 CFR 3186.2 and check the acceptability of the surety in the ABSS.	CONFORM TO UNIT BOND FORMAT SURETY ACCEPTABILITY REVIEW
	3b.	If the bond is not acceptable because of deviation from the regulations format, return the bond to the unit operator for correction.	UNIT BOND FORMAT UNACCEPTABLE
	3c.	If the amount of the bond is adequate and the bond is determined to meet the format, forward the original bond and all accompanying material to the SO Fluid Leasing Adjudication staff under a cover memorandum indicating that the amount of the bond is sufficient, that the principal is the approved unit operator, and recommending bond acceptance.	FORWARD UNIT BOND TO STATE OFFICE ADJUDICATION

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C Acceptance by State Office Fluid Leasing Adjudication

Responsible Official	Step	Action	Keywords
Receiving Official		Receive memorandum and bond, date/time stamp, and forward to Docket.	
Docket	2	Pull unit file and route to Adjudication.	
ABSS Entry	3.	Enter the bond abstract into the ABSS. Enter Action Date: Date Bond Filed; DE 2960 Action Code 468; Action Remarks: Unit Serial No. <i>2. Len. Perovich</i>	AUTOMATED NOTATION
Adjudication	4	Check bond for the following:	
	4a	Bond is properly executed by the principal, including principal's corporate seal (if available) affixed to the bond form. The relationship of the signatory to the principal is to be shown either on the bond form itself or in an accompanying document.	EXECUTION BY PRINCIPAL/ CORPORATE SEAL
	4b	Bond is properly executed by an acceptable surety, with the seal of the corporate surety affixed to the the bond form, accompanied by a POA showing proof of the signing authority as the surety's representative (see Illustration 6).	EXECUTION BY SURETY/SURETY CORPORATE SEAL
	4c	Check that the principal is the approved unit operator.	APPROVED UNIT OPERATOR
	4d	A surety bond number is not required to be shown on the bond form. If no number is indicated, refer to the bond in correspondence as "Unnumbered Bond." If a surety bond number is used, refer to this number in addition to the ABSS bond number in all correspondence.	BOND NUMBER

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Responsible Official	Step	Action	Keywords
	4e.	Check that the bond amount is properly indicated on the form. The dollar amount must be spelled out, e.g., Twenty-Five Thousand and No/100 Dollars. A bond with only figures indicated (\$25,000) is to be returned for correction, but a bond with the figures missing may be accepted if the correct amount is spelled out clearly.	BOND AMOUNT SPELLED OUT
	4f.	Check that the execution date on the bond is completed and precedes the date of filing of the bond. If the date of execution is not completed, the bond must be returned to the principal for correction.	EXECUTION DATE COMPLETED
	<u>NOTE:</u>	Parties will sometimes attempt to file a bond to be effective at some future date. Reject such postdated bonds and advise the parties that the bond may be executed with a provision that it will become effective at some certain later date, but that the execution date must precede the date of filing.	EXECUTION POSTDATED
	4g.	See Step II.C.4k, above, for handling of the POA.	POWER OF ATTORNEY
	4h.	Check that the Field Office Fluid Mineral Operations authorized officer has confirmed that the bond is for an adequate amount.	ADEQUATE BOND AMOUNT
	<u>NOTE:</u>	A recommendation for acceptance or approval from the Field Office Fluid Mineral Operations is to be considered a determination that the bond amount is adequate.	
	4i.	Access the ABSS to determine if the surety is acceptable.	QUALIFIED SURETY

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Responsible Official	Step	Action	Keywords
	5.	If the bond is determined to be unacceptable, return the bond by a decision indicating the defects. A copy of the decision returning the bond for correction is to be furnished to the Field Office Fluid Mineral Operations staff that recommended acceptance.	UNACCEPTABLE BOND
ABSS Entry	6.	Enter Action Date: Date of decision declaring bond unacceptable; DE 2960 Action Code 470; Action Remarks: EFF MM/DD/YYYY.	AUTOMATED NOTATION
Adjudication	7.	If the bond is in order, prepare an acceptance decision (see Illustration 13), effective as of the later of the following dates:	BOND ACCEPTANCE DECISION
	7a	Date the bond was received in an acceptable form by the Field Office Fluid Minerals Operations staff that accepted the bond; or	EFFECTIVE DATE OF BOND
	7b	Effective date indicated on the bond.	
	8.	Forward the decision to the BLM signing official for signature. After signed, distribute to the principal and surety (c/o the attorney-in-fact).	
	9	Route for ABSS Entry and filing of unit case file and bond for safe guarding.	
ABSS Entry	10.	Enter Action Date: Date of decision showing bond accepted; DE 2960 Action Code 469; Action Remarks: Enter effective date of unit bond (MM/DD/YYYY).	

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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 AgreementsKeywords

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.

GAS STORAGE
AGREEMENT BOND

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VIII. Bonds for Fluid Disposal WellsKeywords

A bond for a fluid disposal well may or may not be required, depending upon the use of the disposal well. No additional bond coverage is necessary for a fluid disposal well if the disposal well is used for water produced from a well on the lease and for the benefit of the lease, since the existing oil and gas bond covering the operations on the lease is sufficient.

FLUID DISPOSAL
WELL BOND

If, however, the oil and gas well on the lease ceases production, or the lease terminates due to lack of production, the operator desiring to continue to use the disposal well for fluids produced from other leases must obtain a right-of-way authorization under Title V of the Federal Land Policy and Management Act (FLPMA), and the regulations at 43 CFR 2800. In this case, the fluid disposal well must be bonded under a right-of-way performance bond filed in, and accepted by, the appropriate BLM Field Office.

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IX. Bonds for Protective LeasesKeywords

Protective leases are issued as a result of drainage under the authority of the Attorney General's Opinion of April 2, 1941 (40 Op. Atty. Gen. 41). A protective lease may or may not require bonding coverage. If drilling is allowed on the leased lands, or directional drilling is allowed from off-lease, a bond is required prior to approval of the APD. If the lease is subject only to allocated production, no bond is required. However, a protective lease held by allocated production usually is covered by an existing statewide, nationwide, or unit bond in which the principal holds an interest in the involved lease. If the MMS requests that the BLM demand payment for any royalty-related obligations on leases having only allocated production, the BLM is not precluded from demanding payment since such leases are included in the terms of the bond.

PROTECTIVE
LEASE BOND

The procedures for review and acceptance of such bonds are those described above in Section II (for individual bonds) or Section III (for statewide/nationwide bonds).

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X Oil and Gas Exploration BondsKeywordsA General

This User Guide addresses bonds submitted for geophysical exploration operations pursuant to 43 CFR Part 3150. Bonds for statewide/nationwide exploration operations (see Illustration 2) are handled by SO Fluid Lease Adjudication Bonds for single exploration operations are handled by the Field Office Fluid Mineral Operations personnel. Holders of individual, statewide, or nationwide lease bonds are allowed to conduct exploration operations on their leaseholds without separate bond coverage required. Holders of statewide and nationwide bonds wishing to conduct exploration operations on lands on which they do **not** hold a lease may either obtain a rider to their bond to include oil and gas exploration operations (see Illustration 37) or provide separate geophysical exploration bond coverage. Geophysical exploration on U.S. Forest Service (FS) lands is authorized in accordance with the FS Manual 2860 and 36 CFR 251, and is not covered in this User Guide.

EXPLORATION
BONDS

A lessee/operator wishing to perform geophysical exploration work on an oil and gas lease for which it holds the development rights, whether the surface is Federal or split estate (see Glossary of Terms, Handbook 3100-1), may do so under the terms of the lease by filing a Sundry Notices and Reports on Wells, Form 3160-5 (see 43 CFR 3162.3-3) and **either** an exploration bond **or** a lease bond. However, if a lease bond has not yet been provided for any other operations on the lease, the operator may choose to obtain an individual exploration bond if the lease lands are BLM-administered or are split estate, or if the surface management agency is the FS, the exploration bonding may be obtained in accordance with the FS procedures.

EXPLORATION
UNDER TERMS
OF LEASE

Geophysical exploration on leased public lands by a third party not holding an interest in the lease must be conducted under a Notice of Intent to Conduct Oil and Gas Exploration Operations (NOI) approved by the BLM, with the required exploration bond coverage provided by the third party. The third party does not need to obtain the lessee's permission, nor request the BLM to obtain the lessee's permission, to conduct exploration activities on the leased lands.

EXPLORATION BY
THIRD PARTY ON
LEASED LANDS

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Responsible Official	Step	Action	Keywords
	3e.	Check that the amount of the bond is \$25,000 for a statewide exploration bond or \$50,000 for a nationwide exploration bond.	BOND AMOUNT ADEQUACY
	3f.	Access the ABSS to determine if the surety is acceptable.	QUALIFIED SURETY
	3g.	If the bond is unacceptable, return the bond to the principal by a decision indicating the defects.	UNACCEPTABLE BOND
		<u>NOTE:</u> Since the bond is not considered effective until it is accepted by the United States, imposing a time limit for correction of any defects is not appropriate.	
	3h.	If the bond is in order, prepare an acceptance decision (see Illustration 38), effective as of the later of the following dates:	BOND ACCEPTANCE DECISION
		(1) Date the bond was properly filed; or	EFFECTIVE DATE OF BOND
		(2) Effective date indicated on the bond.	
	4.	Forward decision to signing official for signature. After the decision is signed, distribute to the principal and surety (c/o the attorney-in-fact).	
	5.	Route for ABSS Entry.	
ABSS Entry	6.	Enter Action Date: Date of decision showing bond accepted; DE 2960 Action Code 469; Action Remarks: Enter effective date of bond (MM/DD/YYYY).	AUTOMATED NOTATION

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C. Accepting Individual Exploration Bonds

Responsible Official	Step	Action	Keywords
Field Office Receiving Official	1.	Receive and date/time stamp bond and forward to Field Office Applications Examiner/Land Law Examiner with the NOI.	
ABSS Entry ALMRS Entry	2	Enter the bond abstract in the ABSS and into Case Recordation.	AUTOMATED NOTATION
	2a	Enter Action Date: Date bond filed; DE 2960 Action Code 468/DE 2910 Action Code 376; Action Remarks (Case Recordation): BLM bond number; General Remarks: Location for which bond is filed or NOI number.	
Adjudication/ Applications Examiner	3.	Check the bond for the following:	
	3a.	Bond is filed on the current BLM bond form (Form 3000-4a, June 1988 or later edition).	
	3b.	Bond is properly executed by the principal, including the principal's corporate seal (if available) affixed to the bond form. The relationship of the signatory to the principal is to be shown either on the bond form itself or in an accompanying document.	EXECUTION BY PRINCIPAL/ CORPORATE SEAL
	3c.	Bond is properly executed by an acceptable surety, with the seal of the corporate surety affixed to the bond form, accompanied by a POA showing proof of signing authority as the surety's representative on the date that the bond was executed (see Illustration 6).	

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Keywords

Geophysical exploration on **unleased** public lands, the surface of which is administered by the BLM, requires approval by a NOI and bond coverage under the regulations at 43 CFR 3154.1. Such bond coverage is normally provided by a rider to an existing statewide or nationwide bond (see Illustration 37 and Section XI, below). Exploration bonds submitted pursuant to the regulations at 43 CFR 3154.1 are applicable **only** to geophysical exploration activities on those lands the surface of which is owned by the United States and administered by the Secretary of the Interior through the BLM.

EXPLORATION ON
UNLEASED LANDS

The geophysical exploration regulations at 43 CFR 3150.0-1 state, "The procedures of this part do not apply to: . . . (b) Operations conducted on private surface overlying public lands unless such operations are conducted by a lessee under the rights granted by the Federal oil and gas lease" (emphasis added). Therefore, exploration operations on **unleased** Federal minerals under private surface does **not** come under BLM jurisdiction. No NOI or geophysical exploration bond coverage is required on such lands even if the surface has been conveyed out of Federal ownership by a patent issued under the Stockraising Homestead Act (SRHA) of December 29, 1916, as amended, 43 U.S.C. 291-301 (1970). (See Gary Maughn, 105 IBLA 206 (1988) and the IBLA Order modifying this decision in part, dated December 14, 1989.)

EXPLORATION ON
PRIVATE SURFACE
OVERLYING BLM
PUBLIC LANDS

Permission to conduct geophysical exploration operations on **unleased** Federal minerals under private surface is required from the surface owner, and bonding arrangements are strictly a private matter between the parties involved. Geophysical exploration on **leased** Federal minerals under private surface by a third party not holding an interest in the lease also does not require an NOI or geophysical bond coverage under BLM provisions. Additional requirements for oil and gas geophysical exploration permitting and bonding may, however, be required from the State and/or county government.

EXPLORATION ON
LANDS PATENTED
UNDER THE
STOCK-RAISING
HOMESTEAD ACT

Federal oil and gas geophysical exploration bond forms used prior to Form 3000-4a are included in Appendices 16 and 17.

FLUID MINERALS BOND PROCESSING USER GUIDE

B. Accepting Statewide/Nationwide Exploration Bonds

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive and date/time stamp bond and forward to Adjudication.	
ABSS Entry	2.	Enter the bond abstract into the ABSS following the procedures established in the ABSS User Guide.	AUTOMATED NOTATION
	2a	Enter Action Date: Date bond filed; DE 2960 Action Code 468	
Adjudication	3.	Check the bond for the following:	
		Bond is filed on the current bond form (Form 3000-4a, June 1988 or later edition).	
	3b.	Bond is properly executed by the principal, including principal's corporate seal (if available) affixed to the bond form. The relationship of the signatory to the principal is to be shown either on the bond form itself or in an accompanying document.	EXECUTION BY PRINCIPAL/ CORPORATE SEAL
		Bond is properly executed by an acceptable surety, with the seal of the corporate surety affixed to the bond form, accompanied by the POA showing proof of signing authority as the surety's representative on the date that the bond was executed (see Illustration 6).	EXECUTION BY SURETY/SURETY CORPORATE SEAL
			POWER OF ATTORNEY
	3d.	If accepting a personal bond, see Section V, above. When the bond is a Treasury bill, note, or bond, follow the procedures in Section V.E, above, and coordinate the book-entry deposit procedures through the State Office Adjudication.	

FLUID MINERALS BOND PROCESSING USER GUIDE

Responsible Official	Step	Action	Keywords
	3d.	If accepting a personal bond, see Section V, above. When the bond is a Treasury bill, note, or bond, follow the procedures in Section V.E, above, and coordinate the book-entry deposit procedures through the State Office Adjudication.	
	3e	Check that the amount of the bond is not less than \$5,000.	
	3f.	Access the ABSS to determine if the surety is acceptable.	QUALIFIED SURETY
		If the bond is unacceptable, return the bond to the principal by a decision indicating the defects.	UNACCEPTABLE BOND
ABSS Entry ALMRS Entry	5.	Enter Action Date: Date of decision declaring bond unacceptable; DE 2960 Action Code 470/DE 2910 Action Code 410; Action Remarks: EFF MM/DD/YYYY; General Remarks: Reason unacceptable (optional).	AUTOMATED NOTATION
Adjudication/ Applications Examiner	6.	If bond is in order, prepare an acceptance decision (see Illustration 39 or 40) effective as of the later of the following dates:	BOND ACCEPTANCE DECISION
	6a.	Date the bond was properly filed in the Field Office; or	EFFECTIVE DATE OF BOND
	6b.	Effective date indicated on the bond.	
	7	Forward the decision to the signing official for signature. After the decision is signed, distribute it to the principal and surety (c/o attorney-in-fact).	
	8.	If the bond filed in the Field Office is a personal bond, the collateral for the bond is to be handled as follows:	

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Responsible Official	Step	Action	Keywords
	8a	If a cashier's check or certified check was provided, prepare an accounting advice to deposit and hold the funds in the Field Office until the bond is no longer required; or	
	8b.	If an LOC or CD was provided, the LOC or CD must be maintained in a secure area in the office in a locked, fireproof safe with limited access to employees. Since a LOC and CD are negotiable instruments, they must be safely secured at all times. If the Field Office does not have such facilities, prepare a cover memorandum and forward the LOC or CD by registered mail to the SO Fluid Lease Adjudication Section for safekeeping in the State Office (see Illustration 41).	SAFEGUARD LETTER OF CREDIT OR CD IN LOCKED SAFE
	8c	Forward memorandum, if required, for signature and transmittal to the State Office.	
	9	Route for ABSS/ALMRS Entry	
ABSS Entry ALMRS Entry	10	Enter Action Date: Date of decision accepting bond; DE 2960 Action Code 469/DE 2910 Action Code 909; Action Remarks: Effective date of bond (MM/DD/YYYY); and, in Case Recordation, also enter the BLM bond number; General Remarks (in Case Recordation): Type of bond and name of the obligor.	AUTOMATED NOTATION
	<u>NOTE:</u>	The dates of all entries in the ABSS when accepting a bond must be the date of the decision of acceptance with the effective date shown in the Action Remarks.	

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D. Termination of Statewide/Nationwide Exploration Bonds

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive the letter or notice asking the BLM to cancel or terminate the exploration bond. Date/time stamp and forward to Adjudication.	EXPLORATION BOND TERMINATION REQUEST
ABSS Entry	2.	Access the ABSS:	AUTOMATED NOTATION
	2a	Enter Action Date: Date bond termination request received; DE 2960 Action Code 472; Action Remarks: Enter whether partial or total termination requested.	
Adjudication	3.	If request is from the surety, advise principal/obligor that request for cancellation has been received from surety, and request a list of all locations from the principal where it has conducted exploration operations. Advise the principal that reports are being requested from the appropriate BLM offices prior to consideration for termination of the period of liability of the bond.	REQUEST LIST OF EXPLORATION LOCATIONS FROM PRINCIPAL/ OBLIGOR
	3a.	Send a copy to the surety, if a surety bond (see Illustration 42).	
	4.	Request reports from appropriate BLM offices (see Illustration 43).	FIELD OFFICE REPORT REQUEST
	<u>NOTE:</u>	The Bond Bulletin Board of the ABSS must be used to communicate to all other BLM State Offices requesting reports concerning termination of the period of liability of nationwide bonds. If, however, a reasonable length of time has passed with no response on the Bond Bulletin Board from an office or offices, make a written contact with those offices to determine what problems may exist. No action to terminate a bond can be taken prior to all appropriate offices concurring in the termination of a nationwide bond.	

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Responsible Official	Step	Action	Keywords
	5.	Upon receipt of all reports: If all appropriate offices consent to termination of the period of bond liability, prepare a decision terminating the period of liability effective the date of the last report received (see Illustration 44) and Step X.E.3, below.	TERMINATION OF PERIOD OF LIABILITY APPROVED
	5b.	If objection to bond termination is received, advise the principal and surety by a decision. Indicate the reasons for objection and specify which BLM office to contact in order to secure consent for termination of the period of liability on the bond (see Illustration 45).	BOND TERMINATION NOT APPROVED
	6	After the decision is signed, distribute to the principal and surety (c/o attorney-in-fact). Route for ABSS Entry	
ABSS Entry	8.	Enter in the ABSS: Enter Action Date: Date of decision terminating period of liability of bond; DE 2960 Action Code 473; Action Remarks: Indicate effective date of termination of period of bond liability; or	AUTOMATED NOTATION
	8b.	Enter Action Date: Date bond termination denied; DE 2960 Action Code 476; Action Remarks: Enter effective date (MM/DD/YYYY); General Remarks: Reason for denial (if known).	
Adjudication	9	If the bond was a Treasury bond, note, or bill, follow the procedures in Section V.E, above, for returning the collateral from the BLM Negotiable Securities Custodian (BC-610).	

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E. Termination of Individual Exploration Bonds

Responsible Official	Step	Action	Keywords
Field Office Receiving Official	1.	Receive letter or notice asking the BLM to cancel or terminate the exploration bond. Date/time stamp and forward to Field Office Applications Examiner/Land Law Examiner.	EXPLORATION BOND TERMINATION REQUEST
ABSS Entry ALMRS Entry	2	In the ABSS and in Case Recordation: 2a Enter Action Date: Date bond termination request received; DE 2960 Action Code 472/DE 2910 Action Code 377.	AUTOMATED NOTATION
Adjudication/ Applications Examiner	3.	Check whether Notice of Completion (NOC) has been filed. Within 90 days of the filing of the NOC, the BLM must notify the party who filed the NOC of the need for additional action by the operator to rehabilitate the lands, if any. If the NOC is more than 90 days old, and a notice has not been sent to the operator, in accordance with the regulations at 43 CFR 3154.3 "... [L]iability for that particular exploration operation shall automatically terminate. " (See also <u>Insurance Company of North America</u> , 120 IBLA 384 (1991).	NOTICE OF COMPLETION FILED BOND LIABILITY AUTOMATICALLY TERMINATES 90 DAYS AFTER NOC FILED IF BLM FAILS TO SEND NOTICE OF ADDITIONAL NEEDED ACTIONS
	4.	If the location has been inspected and bond liability may be released, prepare a decision terminating the period of liability of the individual bond (see Illustrations 46 or 47).	TERMINATION OF PERIOD OF LIABILITY APPROVED
	5.	If the bond filed in the Field Office is a personal bond, the collateral for the bond must be returned from the BLM Negotiable Securities Custodian (BC-610) through the SO Fluid Lease Adjudication for return to the obligor (see Illustrations 48, 49, and 50).	BOND COLLATERAL RETURNED ON PERSONAL BOND

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Responsible Official	Step	Action	Keywords
	6.	Forward decision (and memoranda, if required) for signature. After signature, distribute and route for ABSS/ALMRS Entry.	
ABSS Entry ALMRS Entry	7.	Enter in the ABSS and Case Recordation:	AUTOMATED NOTATION
	7a.	Enter Action Date: Date of decision terminating period of liability of bond; DE 2960 Action Code 473/DE 2910 Action Code 378; Action Remarks: Indicate the effective date of termination of bond liability period; or	
	7b.	Enter Action Date: Date bond termination denied; DE 2960 Action Code 476/DE 2910 Action Code 463; Action Remarks: Enter effective date (MM/DD/YYYY); General Remarks: Reason for denial.	

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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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Responsible Official	Step	Action	Keywords
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.	

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XII. Bond Coverage when Processing Record Title AssignmentsKeywords

Close coordination between the Field Office Fluid Mineral Operations and SO Fluid Leasing Adjudication is essential for effective administration of bonds for oil and gas lease operations, particularly when record title assignments are involved. While Field Office Fluid Mineral Operations personnel are responsible for approving and supervising leasehold operations, the SO Fluid Leasing Adjudication is responsible for all final actions on oil and gas bonds, including requesting, accepting, terminating the period of liability, and making a demand and collection against such bonds when default occurs.

Field Office Fluid Mineral Operations staff must notify the SO Fluid Leasing Adjudication when operations are approved for a lease by submitting either a copy of the approved APD form or a memorandum to Adjudication **and** by entry of the lease and well information into the ABSS on the Serial Numbers for Bond Screen for the applicable bond. This notification is a very important indication to the SO Fluid Leasing Adjudication, prior to approval of any record title assignment or termination of the period of liability of the bond, that a report is required from the Field Office Fluid Mineral Operations concerning the operational status of the lease. When the final abandonment of the last well on a lease is approved, or when the APD for the only well on a lease is rescinded, the Field Office Fluid Mineral Operations also must notify the SO Fluid Leasing Adjudication of such an action and remove the lease/well information from the ABSS (Serial Numbers for Bond Screen).

NOTIFICATION
OF APPROVED
LEASEHOLD
OPERATIONS

For a producing lease, or any lease on which operations have commenced, the SO fluid leasing adjudication will access the ABSS (Serial Numbers for Bond Screen) when an application for approval of a record title assignment is received to determine who is operating the lease. If the operator of the lease is bonded either under its own bond or, with consent of the surety, under the lessee's bond, the assignment may be approved, all else being regular. The period of liability of the individual lease bond, if an individual bond provided coverage for the lease, may be terminated upon the approval of a 100 percent assignment to another party.

FIELD OFFICE
REPORT PRIOR
TO ASSIGNMENT
APPROVAL

FLUID MINERALS BOND PROCESSING USER GUIDE

Keywords

Some State Offices have experienced problems when they automatically terminate the period of liability for individual lease bonds upon the approval of an assignment. Most State Offices, however, have not experienced any problems and routinely terminate the periods of liability of the bonds, and simply reinstate the bond if there is any immediate objection from the principal/obligor.

If lessees or sublessees have provided bond coverage for lease operations, and the current lease operator is not bonded, the assignee is to be advised that one of the following options must be exercised before approval of the assignment will be granted:

BOND COVERAGE
PRIOR TO
ASSIGNMENT
APPROVAL

A. The assignee may furnish a bond, accompanied by a consent of surety rider to extend coverage of the bond to the operator's lease operations; **OR**

B. The lease operator may furnish bond coverage for its operations on the lease, accompanied by a statement that, as lease operator, the principal is responsible under the terms and conditions of the lease for the operations conducted on that lease. (NOTE: This statement is to be made either by a letter or by notation on the APD or Sundry Notice that is submitted.) If the operator furnishes bond coverage in this manner, the lessees would be relieved of the bonding requirements for the lease; **OR**

C. Any one of the lessees currently providing bond coverage for the lease may furnish coverage for the lease operations being conducted by the operator by providing a consent of surety rider to the lessee's bond.

Each State Office must identify the manner in which it will notify assignees of the revised bond requirements. Sixty days may be allowed for the assignee to provide bond coverage, although additional time may be granted upon written request (see Illustrations 52, 53, and 54).

If no response is received within the time allowed, issue a decision denying the approval of the assignment (see Illustration 55 and Dallas Oil Co., 93 IBLA 118 (1986)).

BOND REQUIRED
BY ASSIGNEE

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Keywords

The IBLA decision, Karis Oil Co., Inc., 59 IBLA 123 (1981), explains that the bond the assignee is required to provide is that which will cover any obligations arising under the lease to the **same** extent that the assignor's bond would have done. A bond rider is **not** required to assume **prior** liabilities. The fact that the period of liability of the prior bond has been terminated means only that the exact date has been set, beyond which no **new** cause of action by the previous operator may accrue. Therefore, a Department of the Interior Rocky Mountain Regional Solicitor's Opinion, dated January 20, 1987, states that the BLM is to ensure that the bond provided by the assignee/operator will cover all obligations existing at the time of approval by BLM of the assignment (see Appendix 19).

ASSIGNEE
ASSUMPTION OF
LIABILITY
NOT REQUIRED

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KeywordsXIII. Increased Bond CoverageA. General

When Field Office fluid minerals operations determines that additional bond coverage is required, SO fluid leasing adjudication must be advised of the specific increased bond amount necessary to ensure compliance with the lease terms. A detailed justification for the additional bond amount also must be provided by the Field Office Fluid Mineral Operations. This written justification must be sufficient to withstand an appeal (see Pardee Petroleum Corp., 98 IBLA 20 (1987)).

JUSTIFICATION
FOR BOND
INCREASE

It is the responsibility of the Field Office Fluid Mineral Operations to raise the bond amount above the minimum required by the regulations when the degree of risk and magnitude of the potential liability to the Federal Government for the plugging and reclamation costs of non-plugged wells are significant. Increased bond coverage may be necessary in accordance with 43 CFR 3104.5(b) if, for example:

1. The operator has a documented history of previous violations, i.e., failing to comply with the lease terms and notices/orders issued by the BLM or the surface management agency, particularly with regard to the proper plugging and abandonment of wells or reclamation of the disturbed surface area; **OR**
2. Unique or unusual conditions exist, either in the planned drilling operations or in the surrounding environment, that make the operations potentially more hazardous or where significant environmental damage could occur through an accident; **OR**
3. The costs of plugging and abandoning the well and/or reclaiming the surface exceed the present bond amount based on the estimates determined by the Field Office Fluid Mineral Operations personnel; **OR**
4. The MMS has notified the BLM that uncollected royalties, or interest and penalty liabilities, and assessments are due. The bond may not be increased to an amount exceeding the estimated cost of plugging and abandonment of the involved wells and back royalties, including interest, penalties, and assessments due; **OR**

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Keywords

5. The Forest Service (FS) has recommended additional bonding coverage for proposed operations on National Forest System lands, and has forwarded a decision to the operator and the BLM Field Office Fluid Mineral Operations in conjunction with the FS review of the surface use plan of operations. The FS review of the surface use plan of operations may identify the need for an increased bond amount in accordance with the FS regulations at 36 CFR 228.107(d). The operator may choose to increase the amount of bond coverage under its existing bond previously filed with the BLM rather than to obtain a separate, new bond directly with the FS authorized officer.

INCREASED BOND
REQUESTED BY
FOREST SERVICE

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B Processing Requests for Increased Bond Coverage

<u>Responsible Official</u>	<u>Step</u>	<u>Action</u>	<u>Keywords</u>
Field Office Operations	1.	Determine if the bond amount needs to be increased. If so, prepare a memorandum to the SO Adjudication describing:	FIELD OFFICE BOND INCREASE JUSTIFICATION MEMORANDUM
	1a.	The conditions and reasons for increasing the bond amount;	
	1b.	The proposed increased bond amount; and	
	1c.	The specific justification for arriving at the proposed increased bond amount (see Illustration 56).	
		<u>NOTE:</u> If the bond increase is in response to a Forest Service decision, forward a copy of the decision to the SO Fluid Leasing Adjudication.	
Receiving Official	2.	Receive memorandum with justification from Field Office Operations, date/time stamp, and forward to Adjudication with the lease case file, if applicable.	
Adjudication	3.	Review the request for the increased bond amount to ensure that adequate written justification has been provided. If more information is needed, request the Field Office Operations to provide the additional justification needed, including any added detailed factual documentation.	JUSTIFICATION REPORT PROVIDED
		Prepare a decision to the principal/obligor and/or the surety requesting compliance with increased bond amount requirement within an appropriate period of time, e.g., 60 days (see Illustration 57). The decision must include:	INCREASED BOND COMPLIANCE DEMAND
	4a.	Amount required for the increased bond;	

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Responsible Official	Step	Action	Keywords
		4b. The justification for increasing the bond amount; and A statement that new operations will not be allowed on the lease until the requirement is met.	
	5.	After the decision is signed, distribute the copies to the principal/obligor and/or surety by certified mail with a copy to the Field Office Fluid Mineral Operations, and forward for data entry into the ABSS.	
ABSS Entry ALMRS Entry	6.	Enter into the ABSS and, if an individual bond, into Case Recordation. Enter Action Date: Date of decision requiring the bond adjustment; DE 2960/2910 Action Code 477; Action Remarks (ABSS): Adjusted bond amount, and whether increased or decreased; Action Remarks (Case Recordation): BLM bond number; increase/decrease to (total bond amount).	AUTOMATED NOTATION
Adjudication	7.	If the increased bond, or rider to an existing bond, is received within the time specified, review the bond or rider for acceptance according to the procedures provided in Sections II.C, III.B, and IV.C, above.	BOND/RIDER RECEIVED
ABSS Entry ALMRS Entry	8.	Enter into ABSS and, if an individual bond, into Case Recordation: 8a. Enter Action Date: Effective date of rider acceptance; DE 2960 Action Code 479; Action Remarks (ABSS): EFF MM/DD/YYYY and purpose of rider; Action Remarks (Case Recordation): EFF MM/DD/YYYY; Applicable BLM bond number. Change the bond amount on the bond abstract in the ABSS.	AUTOMATED NOTATION

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Responsible Official	Step	Action	Keywords
Adjudication	9.	If a bond in an amount lower than that required by the decision is received, prepare a decision to the principal/obligor and/or surety, returning the bond and stating that no new operations will be approved on the lease until an acceptable bond in the amount required is received. Provide the Field Office Fluid Mineral Operations with a copy of the decision. Most requests for increased bond amounts result from an APD filed for an additional well on the lease. In such an instance, the failure to provide increased coverage should not affect existing operations (i.e., is not grounds for shutting in existing wells). The failure to provide the additional bond amount will, however, be the basis for not approving a new APD.	INSUFFICIENT BOND RECEIVED
ABSS Entry ALMRS Entry	10.	Enter Action Date: Date of decision that the bond is returned unacceptable, DE 2960 Action Code 470/DE 2910 Action Code 410; Action Remarks (ABSS): EFF MM/DD/YYYY; General Remarks (Case Recordation): Reason unacceptable.	AUTOMATED NOTATION

*I doubt
this would
happen*

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Keywords

In the unlikely event that a surety bond (rather than a personal bond) is filed as a replacement bond to restore the bond back to the required or an increased amount, if the well plugging and reclamation costs (and any outstanding royalties, interest, penalties, and assessments owed to the MMS) exceeded the amount of the prior bond, and the bonded party failed to pay the full amount owed, the BLM demand for full payment is to be made against the replacement surety bond before initiation of any lease cancellation proceedings.

REPLACEMENT
SURETY BOND

Further collection efforts under the DCA or initiating cancellation proceedings on a lease are inappropriate when funds under a bond are available to secure compliance with the lease terms.

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B Processing Replacement Bonds

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive replacement bond. Date/time stamp, and forward to Adjudication.	
ABSS Entry ALMRS Entry	2.	Enter bond abstract in the ABSS and, if an individual bond, into Case Recordation. Enter Action Date: Date bond filed; DE 2960 Action Code 468/DE 2910 Action Code 376; Action Remarks (Case Recordation): Amount; and replacement bond for BLM Bond No. _____.	AUTOMATED NOTATION
Adjudication	3.	Review bond to determine its acceptability following the steps in Section II.C, above. Accept the replacement bond only after the following steps are completed, as appropriate.	REPLACEMENT BOND REVIEWED
	4.	Before accepting the replacement bond and terminating the replaced bond, check that the two bonds are completely compatible, e.g., a replacement statewide bond without a geophysical exploration rider cannot replace a bond that had a geophysical rider. Such a replacement bond could be accepted, but the prior bond's period of liability cannot be terminated unless all the necessary riders are filed, or a determination is made that no liabilities exist pertaining to the riders, such as for exploration activities.	COMPATIBILITY OF BONDS
	5.	If the replacement bond includes a rider assuming liability of a prior bond, accept the replacement bond and rider. Terminate the period of liability of the prior bond effective the same date as acceptance of the replacement bond or the appropriate rider. As long as the rider satisfactorily covers all outstanding liabilities, coordination with other State Offices is not necessary.	TERMINATE PRIOR BOND IF RIDER ASSUMES ALL PREVIOUS LIABILITY

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Responsible Official	Step	Action	Keywords
	6.	<p>Complete processing of the replacement bond following the steps in the preceding applicable sections of this User Guide, including Section XII, above.</p> <p>The termination of one bond and acceptance of the replacement bond can be combined into a single decision. A copy of the decision also must be provided to the surety of prior bond.</p>	<p>COMBINED ACCEPTANCE AND TERMINATION DECISION</p>
	7	<p>Process matured negotiable Treasury securities as follows:</p> <p>When a negotiable Treasury security matures, the funds remain in the Circular 154 Government Account No. 11 until the new replacement bond is provided. If a new bond is provided or the BC-610 verifies that a negotiable Treasury security has been furnished, authorize the return of the prior security.</p> <p>A personal bond is considered replaced if, upon maturity of a negotiable Treasury security and the furnishing of a new security, a new fully executed Form 3000-4 or 3000-4a accompanies the new security. If a negotiable Treasury instrument securing a bond is replaced, and the obligor, in a letter or some other statement submitted to the BLM, advises that the new security is being furnished to allow continuation of the coverage of the original bond, accept the security as a replacement and continue the bond using the same ABSS bond number (see Illustration 23).</p>	<p>MATURED TREASURY SECURITY TRANSFERRED</p> <p>BLM ACCOUNT</p>

TO

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Responsible Official	Step	Action	Keywords
	8.	If no rider (such as Illustration 58) has been provided, include a paragraph in the decision that accepts the replacement bond suggesting that a rider be filed that will allow the termination of the prior bond and will avoid the principal having to maintain two separate bonds while the BLM determines whether there is any outstanding liability under the prior bond that is not covered by the replacement bond. Send a copy of the decision to the surety, if a surety bond is involved.	BOND RIDER SUGGESTED TO ALLOW TERMINATION OF LIABILITY OF PRIOR BOND
	9.	Notify the principal/surety by a decision that the replacement bond is being held for acceptance pending receipt of a rider that assumes liability of the prior bond (see Illustration 59), and that the period of liability of the prior bond will be released only upon the BLM's receipt and acceptance of the new bond and rider. This process is more efficient than having to check with each BLM office to determine any outstanding liabilities.	HOLD PRIOR BOND PENDING RECEIPT OF RIDER ASSUMING LIABILITY OF PRIOR BOND
	10.	If the surety will not furnish the appropriate rider, but wants the replacement bond to be accepted, accept the new bond. Indicate clearly in the acceptance decision that the old bond must remain in full force and effect until a review of all outstanding liabilities is completed, and that the new bond covers only new liabilities accrued from the date of its acceptance (see Illustration 60).	ACCEPT NEW REPLACEMENT BOND
	11.	If the bond review indicates no outstanding liabilities by the BLM or the MMS, terminate the period of liability of the prior bond (see Section XVII, below).	TERMINATE BOND

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Responsible Official	Step	Action	Keywords
ABSS Entry ALMRS Entry	12.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	12a.	For the prior bond - Enter Action Date: Date of decision terminating period of liability of bond; DE 2960 Action Code 473/DE 2910 Action Code 378; Action Remarks (in Case Recordation for individual bond): Effective date of termination of period of bond liability; General Remarks: Liabilities assumed by BLM Bond No. _____.	
	12b.	For replacement bond - Enter Action Date: Date replacement bond accepted; DE 2960 Action Code 469/DE 2910 Action Code 909; Action Remarks (ABSS): Effective date (MM/DD/YYYY); Action Remarks (Case Recordation): Effective date (MM/DD/YYYY); and BLM bond number; General Remarks: Replaces BLM Bond No. _____.	

*Move liabilities
To new Bond.
For NW or Multi-
sw bond each state
just transfer them*

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XIV. Replacement of BondKeywordsA. General

Principals may request to replace existing bonds because:

REPLACEMENT
BOND

1. They desire to move all their insurance business to a new or different company or agency that may underwrite bonds/insurance for several corporate sureties, that often are also large insurance companies; or

2. They no longer wish to pay premiums to the surety

Replacement of bonds must be handled carefully because of the danger of unintentionally leaving some lease obligations without any coverage.

The most difficult aspect of replacing a statewide or nationwide bond is that a new bond that is not specifically conditioned to completely replace the old bond may not cover all lease obligations that were covered by the old bond. This could include the responsibility to properly plug and abandon all wells on leases which expire or terminate before the new bond is filed. In replacing statewide/nationwide bonds, check to ensure that the new bond is conditioned to assume any outstanding liability on the leasehold(s) covered by the prior bond.

OUTSTANDING
LIABILITIES

If an unplugged well exists on an active lease covered under a bond that is being replaced by a new bond, the period of liability of the previous bond is to **not** be terminated until a rider has been accepted that assumes past liabilities for the unplugged well. Such a rider is needed since the new bond does **not** automatically cover prior liabilities incurred on behalf of the principal by the former surety.

UNPLUGGED
WELLS

The existence of an unplugged well on a lease that has terminated or expired indicates that the operator has not complied with the lease terms. Therefore, the bond covering the lease must remain in full force and effect until the proper plugging, abandonment, and surface reclamation have been accomplished either by an arrangement made by the surety or through the BLM contracting for the work. (See Section XVIII, below, that addresses default and collection on bonds.)

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Keywords

If the period of liability of the bond has been terminated for a lease with an unplugged well and reclamation work that has yet to be completed, a concerted effort is to be made by the BLM to collect on that bond. Since several years may have passed, the surety will be reluctant to pay if the period of liability has been terminated. However, the surety is still deemed liable since the principal is liable for the damages it has caused in failing to comply with the lease terms and obligations. To avoid this situation from occurring, either obtain a replacement bond with an attached rider that assumes all previous liabilities existing under the prior bond, or do not release the prior bond until all the liabilities covered by the bond have been properly and fully corrected.

BOND LIABILITY
TERMINATED BUT
UNPLUGGED WELLS
OUTSTANDING ON
LEASE

The regulations at 43 CFR 3104.7 provide that where, upon default, the surety makes a payment to the U.S. of an obligation (debt) incurred under a lease, the face amount of the bond is reduced by the amount of the required payment. After a default on a lease, the principal on the bond must either post a new bond or replenish the existing bond to its original amount or to an increased amount determined by the BLM (and the surface management agency (see 43 CFR 3104.5).

BOND AMOUNT
REDUCED DUE
TO DEFAULT

The regulations also allow the principal to file separate or substitute bonds in lieu of either posting a new bond or increasing the existing statewide or nationwide bond. If the principal uses this option and files individual lease bonds, the BLM may **not** use an individual bond from one lease to cover an obligation due under another lease. In cases where the obligation and payment are less than the bond face amount, and a new bond is filed or the existing bond is replenished to the full required amount, adequate bonding is in full force and effect for any future liabilities.

SEPARATE OR
SUBSTITUTE
BOND TO REPLACE
DEFICIENT BOND

In instances where the obligation in default is more than the face amount of the bond and the bond is depleted, collection efforts for the remaining obligation in default must continue (see 43 CFR 3104.7).

DEPLETION
OF BOND

If the replacement bond is a personal bond backed by cash or negotiable Treasury securities, the BLM can quickly possess the funds to satisfy the remaining obligations. To not use such funds would be contrary to the interests of the U.S. and could result in premature efforts toward collecting under the Debt Collection Act (DCA) and initiation of lease cancellation proceedings.

REPLACEMENT
PERSONAL BOND

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Keywords

A surety election to terminate future liability must be handled expeditiously to avoid the Field Office Fluid Mineral Operations personnel from authorizing operations on a lease to which the bond is not applicable due to the election made by the surety.

SURETY ELECTION
HANDLED
EXPEDITIOUSLY

Whenever notification is received from a surety that it intends to terminate the additional coverage on leases that are extended beyond the primary term by drilling and/or production, and the leases are covered under the bond prior to the effective date of the surety election to terminate future liability, promptly notify the surety advising that it cannot elect to make additional coverage inapplicable for lease extensions or drilling operations under the provisions of the bond form. Indicate to the surety that the BLM's position was clarified by a Federal Register notice that was published on June 15, 1987 (52 FR 22646). It is important to also notify the principal with a copy of the surety's correspondence and the BLM's response.

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B. Processing of Bonds Terminated in Part

<u>Responsible Official</u>	<u>Step</u>	<u>Action</u>	<u>Keywords</u>
Receiving Official	1.	Receive notice of election to terminate future liability from surety. Date/time stamp and forward to Adjudication.	SURETY ELECTION RECEIVED
Adjudication	2.	Review notice of election for specific language whereby surety elects to terminate additional future coverage under the bond. A notice of the surety's cancellation indicates a desire to terminate the period of liability of the bond in full.	NOTICE OF SURETY ELECTION TO TERMINATE ADDITIONAL FUTURE BOND COVERAGE
		Request reports from Field Office Operations and the SMA regarding possible bond termination, consistent with Section XVII, below. Unless clearly not the election allowed by conditions of the bond (see Section XV.A, above), issue a decision acknowledging the election to terminate additional future liability under the bond effective 30 calendar days from the date of receipt of the request by the proper BLM office (see Illustration 61).	FIELD REPORTS IN RESPONSE TO SURETY ELECTION TO TERMINATE ADDITIONAL FUTURE LIABILITY UNDER THE BOND
ABSS Entry	4.	Enter into the ABSS.	AUTOMATED NOTATION
	4a.	Enter Action Date: Date surety notice is received electing to terminate additional bond coverage in part; DE 2960 Action Code 474 Action Remarks: Enter effective date (MM/DD/YYYY), i.e., 30 calendar days after receipt in the proper BLM office of the surety's request.	
Adjudication	5.	After decision is signed, distribute copies to the surety and principal. Route for ABSS Entry.	

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Responsible Official	Step	Action	Keywords
ABSS Entry	6.	Enter in the ABSS:	AUTOMATED NOTATION
	6a.	Enter Action Date: Date of decision acknowledging termination of future liability under bond in part; DE 2960 Action Code 475; or	
	6b	Enter Action Date: Date of decision denying bond termination request; DE 2960 Action Code 476; Action Remarks: Effective date (MM/DD/YYYY); Reason termination in part is denied (or place in General Remarks).	

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XV. Termination of Period of Liability in PartKeywordsA. General

Statewide/nationwide bonds contain a provision, in the "Bond Conditions" on the reverse side of Form 3000-4 (see Illustration 1), that allows a surety to reduce its future liability by notification to the BLM that it is terminating additional coverage under the statewide or nationwide bond with regard to any **new** lease interests acquired by the principal more than 30 days following receipt by the BLM of such a notice of election. This termination of future liability by the surety does **not** extend to operational activities on a lease covered by the bond, including drilling over the primary term of a lease, when such activity was included under the bond coverage prior to the surety election to terminate future additional coverage.

SURETY ELECTION
TO TERMINATE
FUTURE
LIABILITY FOR
NEW LEASE
INTERESTS ON
STATEWIDE/
NATIONWIDE
BONDS ONLY

NOTE: Some surety companies are interpreting this election clause of the bond conditions to mean that they can cease bond coverage for a lease that is extended by drilling over the lease expiration date or for additional drilling on a lease which contains a producing well. This interpretation is **not** correct.

It also is important to note that an individual lease bond is **not** included under this election provision to terminate future liability.

TERMINATION OF
FUTURE LIABILITY
NOT APPLICABLE
TO INDIVIDUAL
LEASE BONDS

Termination of future liability of a statewide/nationwide bond does not mean that use of the bond is not allowed. What is important is whether the bonded party's interest in the lease was acquired or established prior to the election by the surety to have the coverage become inapplicable. The bond coverage is **still applicable** to those leases held or operated by the principal and to lease operations authorized under the bond that were **filed prior to the election**. In addition, coverage under the bond continues for any lease covered by the bond when the lease is extended past its primary term prior to the election by the surety to terminate future liability, despite the expiration date of the term set forth in the lease.

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Keywords

A surety election to terminate future liability must be handled expeditiously to avoid the Field Office Fluid Mineral Operations personnel from authorizing operations on a lease to which the bond is not applicable due to the election made by the surety.

SURETY ELECTION
HANDLED
EXPEDITIOUSLY

Whenever notification is received from a surety that it intends to terminate the additional coverage on leases that are extended beyond the primary term by drilling and/or production, and the leases are covered under the bond prior to the effective date of the surety election to terminate future liability, promptly notify the surety advising that it cannot elect to make additional coverage inapplicable for lease extensions or drilling operations under the provisions of the bond form. Indicate to the surety that the BLM's position was clarified by a Federal Register notice that was published on June 15, 1987 (52 FR 22646). It is important to also notify the principal with a copy of the surety's correspondence and the BLM's response.

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B. Processing of Bonds Terminated in Part

<u>Responsible Official</u>	<u>Step</u>	<u>Action</u>	<u>Keywords</u>
Receiving Official	1.	Receive notice of election to terminate future liability from surety. Date/time stamp and forward to Adjudication.	SURETY ELECTION RECEIVED
Adjudication	2.	Review notice of election for specific language whereby surety elects to terminate additional future coverage under the bond. A notice of the surety's cancellation indicates a desire to terminate the period of liability of the bond in full.	NOTICE OF SURETY ELECTION TO TERMINATE ADDITIONAL FUTURE BOND COVERAGE
		Request reports from Field Office Operations and the SMA regarding possible bond termination, consistent with Section XVII, below. Unless clearly not the election allowed by conditions of the bond (see Section XV.A, above), issue a decision acknowledging the election to terminate additional future liability under the bond effective 30 calendar days from the date of receipt of the request by the proper BLM office (see Illustration 61).	FIELD REPORTS IN RESPONSE TO SURETY ELECTION TO TERMINATE ADDITIONAL FUTURE LIABILITY UNDER THE BOND
ABSS Entry	4.	Enter into the ABSS.	AUTOMATED NOTATION
	4a.	Enter Action Date: Date surety notice is received electing to terminate additional bond coverage in part; DE 2960 Action Code 474 Action Remarks: Enter effective date (MM/DD/YYYY), i.e., 30 calendar days after receipt in the proper BLM office of the surety's request.	
Adjudication	5.	After decision is signed, distribute copies to the surety and principal. Route for ABSS Entry.	

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Responsible Official	Step	Action	Keywords
ABSS Entry	6.	Enter in the ABSS:	AUTOMATED NOTATION
	6a.	Enter Action Date: Date of decision acknowledging termination of future liability under bond in part; DE 2960 Action Code 475; or	
	6b	Enter Action Date: Date of decision denying bond termination request; DE 2960 Action Code 476; Action Remarks: Effective date (MM/DD/YYYY); Reason termination in part is denied (or place in General Remarks).	

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XVI. Phased Release of Period of Liability on Lease BondKeywordsA. General

Phased release is not applicable to statewide or nationwide bonds. Upon receipt of a request from the bonded principal, an **individual lease bond** may be reduced in phases upon completion and inspection of certain stages of lease abandonment. Two stages appear to be sufficient, since reinspection would be required at each phase, i.e., (1) after all wells on a lease have been properly plugged, abandoned, and the site has been stabilized and seeded, the bond may be released in part, e.g., by 75 percent; and (2) when the revegetation is complete and final abandonment has been approved, the period of liability of the bond may be fully terminated. The bond to be reduced may be either a surety or personal bond. Surety bonds and LOC's may be released in phases, but a CD would have to be rewritten for a lesser amount at its renewal date because of interest earned and penalties that might be assessed the obligor by the financial institution.

PHASED RELEASE
OF LEASE BOND

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B. Processing Requests for Phased Release

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive request to reduce bond by a phased release of the period of liability. Date/time stamp and forward to Adjudication. <u>NOTE:</u> If received by the Field Office Fluid Mineral Operations staff, recommendations for approval or disapproval must be forwarded to the SO Fluid Leasing Adjudication.	
ABSS Entry ALMRS Entry	2	Enter into the ABSS and, if an individual bond, in Case Recordation 2a. Enter Action Date: Date phased bond termination request received; DE 2960 Action Code 472/DE 2910 Action Code 377; Action Remarks (ABSS): Enter whether partial or total termination requested; Action Remarks (Case Recordation): BLM Bond No. _____; Partial release.	AUTOMATED NOTATION
Adjudication	3.	If not already received, request Field Office Operations to report to the SO Adjudication if the bond can be reduced to a lower amount, e.g., to \$2,500 if proper plugging and rehabilitation work has been completed, except for revegetation. Coordination with other SMA's must be made if the surface is not managed by the BLM. Phased release of bond liability should be completed within 60 days from receipt of the request.	REQUEST FIELD OFFICE OPERATIONS REPORT ON PHASED BOND RELEASE
	4.	Check the MMS Delinquent Lease Accounts biweekly listing to ensure that the lease is not included on the listing. If the lease is on the MMS list, deny the request until the MMS liabilities are resolved, which may include a demand being made against the bond (see Section XVIII, below).	

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Responsible Official	Step	Action	Keywords
	5.	If the Field Office Operations staff agrees to reducing the bond amount for a phased release, prepare a decision, to be sent by certified mail to the principal and surety reducing the bond and stating that the remaining amount of the bond would be used in the event the revegetation is not successful. The return of the certified mail card acknowledges the surety's receipt of the decision (see Illustration 62).	REDUCE BOND IN PHASES
ABSS Entry ALMRS Entry	6.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	6a.	Enter Action Date: Date of decision granting bond adjustment; DE 2960/ 2910 Action Code 477; Action Remarks: Action Remarks (ABSS): Adjusted bond amount, and whether increased or decreased; Action Remarks (Case Recordation): BLM bond number; increase/decrease to (total bond amount).	
	6b.	Change bond amount on abstract screen in the ABSS.	

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KeywordsXVII. Termination of Period of Liability of BondA. General

The procedures for termination of the period of liability of a bond is to be the same regardless of whether the surface ownership is the BLM, another SMA, or private. It is advisable in cases of private surface to contact the surface owner to determine what arrangements and agreements were made by the operator (or lessee) with the owner, and any objections or problems that the surface owner may have. The lessee/operator must satisfy the Federal lease terms and conditions that involves the proper plugging and abandonment of wells and the payments of all royalties, interest, penalties, and assessments that may be owed to the MMS, regardless of any arrangements made by the lessee/operator with the surface owner, e.g., payment for surface damages. In the case of a dispute between the private landowner and the operator, the BLM will require the surface to be restored to BLM standards.

TERMINATION OF
BOND PERIOD
OF LIABILITY

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B. Processing Requests for Termination of Liability

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive the letter or notice requesting the BLM to cancel the bond or terminate the period of liability under the bond. Date/time stamp and forward to Adjudication.	TERMINATION OF PERIOD OF LIABILITY REQUEST
ABSS Entry ALMRS Entry	2.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	2a.	Enter Action Date: Date bond termination request received; DE 2960 Action Code 472/DE 2910 Action Code 377; Action Remarks (ABSS): Enter "TOTAL" and, in Case Recordation, enter "TOTAL" and the BLM bond number _____	
Adjudication	3.	When the surety requests a bond termination, if a nationwide bond, request a report through the ALMRS Bond Bulletin Board from all State Offices for agreement that the nationwide bond may be terminated. See Appendix 20 for instructions for accessing the ALMRS Bond Bulletin Board. If, after a reasonable period of time has passed with no response from one or more offices, send a written request to those offices (see Illustration 43).	TERMINATION REPORT REQUESTED FROM APPROPRIATE STATE OFFICES
	4.	If bond is an individual lease or statewide bond, request a report (see Illustration 43) from all appropriate Field Offices whether the bond may be terminated.	
	5.	Obtain an ALMRS printout showing all leases held by the principal. Review this printout against the MMS biweekly Delinquent Lease Accounts listing for leases have MMS demands due. If no leases are on the MMS listing, furnish the printout to each appropriate Field Office Operations staff with a request to review all listed leases due to the request to terminate the period of liability of the bond.	ALMRS PRINTOUT OBTAINED LISTING ALL LEASES HELD BY PRINCIPAL UNDER THE BOND

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Responsible Official	Step	Action	Keywords
	5a.	If leases held by the bond are on the MMS listing, notify the MMS and, as needed, make a demand against the bond to collect the monies owed to the MMS (see Section XVIII, below).	
	6.	While awaiting responses from the BLM offices (and when no leases are included on the MMS biweekly listing), prepare a standard notice to the principal and surety advising them of the status of the bond termination request (see Illustration 42). This notice needs to be used when the termination reports from several offices are going to take considerable time to complete, e.g., for nationwide bonds.	
	7.	If the surety has requested termination of the bond without notifying the principal, use of this standard notice effectively notifies the principal of the surety's request, and additional notification of the principal is not necessary. If the principal objects to termination of the period of liability, advise the principal that the BLM will discontinue processing the termination request until the principal and surety have resolved the matter.	SURETY REQUEST FOR BOND TERMINATION WITHOUT KNOWLEDGE OF PRINCIPAL
	8.	Upon receipt of all reports:	
	8a.	If all reports consent to bond liability termination, terminate the period of liability of the bond by a decision (see Illustration 44).	TERMINATE BOND
	8b.	If an objection to the bond termination is received, prepare a decision specifying the reason the period of liability cannot be terminated (see Illustration 45).	BOND TERMINATION NOT APPROVED

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Responsible Official	Step	Action	Keywords
	9.	After the decision is signed, distribute to the principal and surety. Route for ABSS (and Case Recordation) Entry.	
ABSS Entry ALMRS Entry	10.	Enter into the ABSS and, if an individual bond, in Case Recordation. Enter Action Date: Date of decision terminating period of liability of bond; DE 2960 Action Code 473/DE 2910 Action Code 378; Action Remarks: Effective date of termination of period of bond liability (MM/DD/YYYY), and in Case Recordation enter the BLM Bond No. _____, OR Enter Action Date: Date of decision that bond termination denied; DE 2960 Action Code 476/DE 2910 Action Code 463; Action Remarks: Effective date of denial of bond termination, and in Case Recordation enter the BLM Bond No. _____; General Remarks: Reason for denial.	AUTOMATED NOTATION
Adjudication	11	File case/bond file.	
RELEASE/	12.	If, after the decision has been issued terminating the period of liability of the bond, the surety requests that the bond be fully and unconditionally released, respond that the regulations in 43 CFR 3104.8 do not allow this type of release (see Illustration 63). Termination of the period of liability establishes a date after which no new liabilities may be attached to the bond. The regulations do not provide for bond cancellation. See Section XIX, below, addressing the statute of limitations for collection on bonds.	BOND CANCELLATION NOT ALLOWED

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KeywordsXVIII. Default and Collection on BondsA. General

Default is generally defined in Black's Law Dictionary (5th Edition, 1979) as the omission or failure to perform a legal or contractual duty or to observe a promise or discharge an obligation, such as to pay interest or principal on a debt when due. On Federal oil and gas leases, default may take the forms of: (1) wells not being properly plugged and abandoned in accordance with the terms of the lease or regulations; (2) uncorrected damage to surface improvements, including failure to perform adequate restoration of the lease surface area; and/or (3) monetary balances due the U.S. under the terms of the lease, such as royalty on production or minimum royalty (including interest, penalties, and assessments due).

DEFAULT

Pursuant to 28 U.S.C. 2415, a six-year statute of limitations is established for every action for money damages brought by the United States, founded upon any contract. This six-year period commences when the right of action occurs. See Section XIX, below. Since an oil and gas lessee has the right to conduct operations until the instant a lease expires, final cleanup and abandonment can take place within a reasonable time after the lease expires. Accordingly, the six-year period will commence after a reasonable time has expired. Due to the difficulty in defining "reasonable time," all problems related to expired leases **must** be identified and solved as quickly as possible. All unapproved abandonment and reclamation operations must be inspected by the Field Office Fluid Mineral Operations as soon as possible after lease expiration, and lessees and operators must be promptly notified of any deficiencies. All work done must be inspected by the Field Office Operations personnel. In no case shall 6 years pass after lease expiration with no action taken by the BLM.

STATUTE OF
LIMITATIONS

When assessments for noncompliance or civil penalties are made and forwarded to the SO Accounts for processing under the Debt Collection Act, the SO Accounts must coordinate with the SO Adjudication to ensure that all available bond monies have been demanded in accordance with procedures in this User Guide prior to processing for debt collection under the Debt Collection Act (see Department of the Interior Manual 344).

DEBT COLLECTION
ACT PROCESSING

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If all attempts to collect under the bond fail, the entity will be considered in continuing noncompliance with Section 17(g) of the MLA and the regulations at 43 CFR 3102.5-1. In that case, the BLM Washington Office Fluids Groups (310) must be advised by a memorandum from the SO Fluid Leasing Adjudication of the continuing noncompliance of the entity. The entity will be placed on a noncompliance list and shall be not be allowed from obtaining any oil and gas leases (either through new issuance of by assignment/transfer) until the noncompliance is resolved to the satisfaction of the BLM.

Keywords

NONCOMPLIANCE/
DEFAULT THAT IS
UNRESOLVED -
ADDITION OF
ENTITY TO MLA
SECTION 17(g)
NONCOMPLIANCE
LIST

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B. Collection Based on Field Office Operations/SMA/
Surface Owner RequestKeywords

Upon default, the surety on a bond, or the obligor on a personal bond, must make payment to the United States of any indebtedness due under a lease. However, all available measures must be taken prior to collection on a bond. When a bond covers leases on National Forest System Lands, the Field Office Fluid Mineral Operations must initiate contact with the appropriate Forest Service and request identification of any defaults on lease performance.

DEFAULT ON
OBLIGATION

Responsible

Responsible Official	Step	Action	Keywords
Field Office Operations	1.	Provide written orders to the lessee and operator, with a copy also sent to the surety or obligor, requiring the necessary work to be performed.	FIELD OFFICE OPERATIONS ISSUES ORDER ON DEFAULT AND RECLAMATION REQUIREMENTS
	2.	Such orders must specify: <ul style="list-style-type: none"> 2a The exact work required to be performed; 2b. The time allowed to commence the work; and 2c. That failure to perform will result in eventual attachment of the bond. 	
	3.	Send the orders by certified mail to the operator, all lessees, any other principals and the surety or obligor with a copy to the SO Fluid Leasing Adjudication (see Illustration 64).	
Adjudication	4.	Since the BLM is also the responsible agency for demanding performance on a bond for any royalty liability, contact the MMS Bond Coordinator to verify the total amount that the lessee/operator owes for unpaid or underpaid royalty, including interest, penalties, and assessments owed to the MMS. This amount owed must be consolidated with the amount owed to the BLM/SMA for proper plugging and abandonment, including the restoration of the surface of the leased lands.	

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Responsible Official	Step	Action	Keywords
Field Office Operations	5.	When all attempts to collect under the bond fail, the entity is considered in continuing noncompliance with the MLA Section 17(g) and the regulations at 43 CFR 3102.5-1(f). Notify the Washington Office Fluids Group (WO 310) with a memorandum identifying the efforts and dates of notification of noncompliance, also identifying all affiliates and subsidiaries of the entity, including the names of all officers of the entity.	
	6.	If neither the lessee nor operator commence or complete the required work after any appropriate further discussion and/or correspondence, prepare a certified letter to the surety or obligor, with copies sent to the lessees, operator, and the SO Fluid Leasing Adjudication. The letter must require that either	SURETY CONTRACT OF WORK REQUIRED
	7a.	The lessee or operator commence the specified work within 60 days (or such other reasonable period of time, based on the seasonal factors involved) and continue the work diligently to completion; OR	
	7b.	The surety directly enter into a contract such that the specified work will commence within 60 days (or such other reasonable period of time) and continue diligently to completion, with the contractor directly billing the surety for the work done; OR	CONTRACTOR BILLS SURETY DIRECTLY

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Responsible Official	Step	Action	Keywords
	7c.	<p>The surety authorize in writing within 60 days for the BLM to act as the surety's agent to contract and oversee the performance of the specified work, with the contractor directly billing the surety for payment. In this case, the surety must pay the U.S. (BLM) an additional 25 percent of the payment amount to compensate the U.S. for administrative costs for the contract, as specified in 43 CFR 3163.1(a)(4), with the total costs incurred not to exceed the bond face amount (see Illustration 65). The administrative fee is assessed at 25 percent of the actual cost of the required reclamation. This fee is charged only when the BLM is forced to contract to have the work completed.</p>	<p>ADMINISTRATIVE FEE CHARGED IN ACCORDANCE WITH 43 CFR 3163.1(a)(4)</p>
	<u>NOTE:</u>	<p>The first two options are BLM's preferred approaches. The third option is only be used as a last alternative since it places a greater administrative burden on the Field Office Fluid Mineral Operations staff. The work performance costs are to be based on, preferably, three or more estimates by contractors with expertise for the type of work required. Under the third option, the payment to the contractor by the surety will probably be limited to the face amount of the bond. When the costs exceed the amount of the bond, the principal must make full payment of that amount which is in excess of the face amount of the bond (see 43 CFR 3104.7(b)). This amount in excess of the bond does not constitute a demand on the bond; it leaves the total bond amount available.</p>	

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Responsible Official	Step	Action	Keywords
	8.	Indicate specifically in the certified letter sent to the operator, lessee and surety that if none of the above occurs within the time specified, the BLM will taken action to attach the bond for the specified amount in accordance with instructions in Section XVIII.C, below, which will represent the cost to the U.S. of performing the work, plus an additional 25 percent to compensate the U.S. for administrative costs.	

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C. Procedures for Collection on Surety Bond Based on BLM/SMA/Surface Owner Request

Keywords

If neither the surety, lessee, or operator perform any of the steps addressed in Section XVIII.B, above, within the time specified, the following actions are to be taken to attach a surety bond.

COLLECTION ON SURETY BOND BASED ON BLM REQUEST

Responsible Official	Step	Action	Keywords
Field Office Operations	1.	The Field Office Fluid Mineral Operations personnel must perform the following steps:	
	1a.	Coordinate with the SO Procurement/Contracts personnel to obtain three or more estimates from contractors with expertise for the type of work required. A requisition must be prepared to contract with the low bidder, but actual work performance cannot begin under the contract until the monies are received from the surety (see Illustration 66).	PROCURE CONTRACT FOR PLUGGING AND RECLAMATION WORK
	1b.	Prepare a default report to the SO Fluid Leasing Adjudication describing the failure of the operator, lessee, and surety to perform the specific actions required. Include copies of all previous correspondence sent to and received from these entities. Recommend that action be taken by Adjudication to attach the bond in a specific amount, not to exceed the face amount of the bond. Include a copy of the requisition prepared in the Field Office.	DEFAULT REPORT PREPARED
Receiving Official	2.	Receive the default report from the Field Office or SMA. Date/Time stamp and forward to Adjudication.	
ABSS Entry ALMRS Entry	3.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	3a.	Enter Action Date: Date default determined; DE 2960 Action Code 483/DE 2910 Action Code 451; Action Remarks: Type of default and amount.	

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Responsible Official	Step	Action	Keywords
Adjudication	4.	Identify the lessee and all the leases involved using the ALMRS Proprietor's Report.	
	5.	In the case of a demand on a statewide or nationwide bond, notify all of the appropriate offices (the Field Office Operations for a statewide bond, and the Field Office Operations and all State Offices for a nationwide bond) by a memorandum and the ABSS Bulletin Board to conduct a review and report any liabilities that might exist for the principal (see Illustration 67).	
	6.	Check the MMS Delinquent Lease Accounts biweekly listing for leases covered by the bond for which royalties, interest, penalties, and assessments may be due under the subject bond.	
	7.	When a response from the appropriate Field Offices and State Offices is received, prepare a decision to the principal and surety demanding payment under the bond for default (see Illustration 68). The decision is to include:	DEMAND PAYMENT DECISION
	7a	Nature of the default;	NATURE AND DOCUMENTATION OF DEFAULT
	7b.	Documentation that all BLM and MMS attempts have been made under formal procedures to require the default be corrected.	
	7c.	The amount to be collected under the bond, not to exceed the face value of the bond, with justification to support the amount to be collected.	
	7d	Specific period of time allowed for the surety to make the payment requested.	TIME ALLOWED FOR SURETY PAYMENT

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Responsible Official	Step	Action	Keywords
	7e.	Statement that failure to make the payment may result in the BLM recommending to the Department of the Treasury to remove the surety from the Federal Treasury list of certified, acceptable sureties and/or the BLM initiation of lease cancellation proceedings and/or judicial proceedings to secure payment.	
	8.	After the decision is signed, send by certified mail to the surety and principal, and to the lessee/operator if different than the principal, with a copy to the MMS-DMD.	
	9.	Route for ABSS Entry.	
ABSS Entry ALMRS Entry	10.	Enter into the ABSS and, if an individual bond, in Case Recordation. Enter Action Date: Date of notification of default correction request; DE 2960 Action Code 484/DE 2910 Action Code 452; and	AUTOMATED NOTATION
	10b.	Enter Action Date: Future action suspense due date when payment requested from surety is due; DE 2960/2910 Action Code 247.	
Adjudication	11.	If payment for the default is not made: If surety fails or refuses to make default payment under bond, prepare letter to the Department of the Treasury, Surety Bond Branch, 401 14th Street, S.W., Washington, D.C. 20027, advising that the surety has failed or refused to render a payment under the bond and request the Treasury Department to take the necessary action to decertify the surety (see Illustration 69).	DECERTIFICATION OF SURETY REQUEST TO TREASURY DEPARTMENT

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Responsible Official	Step	Action	Keywords
	11b.	Prepare a decision to the principal and surety advising them that judicial action is being initiated due to the nonpayment, i.e., default under the bond (see Illustration 70).	PAYMENT NOT MADE BY SURETY
		Prepare a memorandum to the appropriate Solicitor for the judicial action to be taken against the surety, providing all the required background information (see Illustration 71)	REFER DEFAULT CASE TO SOLICITOR
	12.	If payment for the total obligation is made by the surety:	
		Deposit the monies to the State Office's suspense account (14X5017), and prepare a Cash Receipt Document (Form 1372-4) to transfer the funds from the suspense account to the subactivity specified on the requisition (see Illustration 72) The contractor may now be awarded the contract and begin the required reclamation work (see Illustration 73). When the work is completed, the contractor is required to submit an invoice for payment to the BLM Field Office Fluid Mineral Operations. The Field Office Operations must then make payment from the transferred bond proceeds. If the actual costs incurred are less than the estimated costs, the difference is to be held (but any amount of the difference that is greater than the 25 percent required to cover the administrative fee is to be refunded by the SO Fluid Leasing Adjudication to the surety).	PAYMENT MADE BY SURETY

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Responsible Official	Step	Action	Keywords
		<p><u>NOTE:</u> Contracts exceeding a certain amount may have to be handled by the SO Procurement/Contracts personnel. Therefore, close coordination among the Field Office Fluid Mineral Operations staff and the contracting personnel with the SO's Fluid Leasing Adjudication and contracting personnel is essential. An important factor in a bond payment situation is that BLM is dealing with the proceeds from the bond rather than with direct BLM funds, per se.</p>	
	12b.	<p>When the payment is made by a surety to the BLM, the face amount of the bond is reduced by the amount paid, causing the bond amount to either be totally used or to drop below the minimum amount required by the regulations.</p>	DEFAULT REMEDIED
	12c.	<p>When the payment is made, issue a decision acknowledging receipt of the surety payment and require the principal to restore the face amount of the bond back to the minimum amount required by the regulations or to an increased amount above the minimum regulatory amount as may be specified by the Field Office Operations in accordance with 43 CFR 3104.5. Alternatively, the principal may be requested to furnish new bond coverage (see Illustration 74). Failure to do so may result in initiation of lease cancellation proceedings.</p>	RESTORE BOND TO REQUIRED FULL AMOUNT

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Responsible Official	Step	Action	Keywords
	13.	If the payment is made by a surety from a statewide or nationwide bond that may be applicable to obligations on leases under the jurisdiction of another State Office, the appropriate State Office(s) must be notified promptly by a copy of the decision that payment has been made by the surety under the bond. Such a message should also be issued on the ABSS Bulletin Board.	NOTIFY OTHER OFFICES OF PAYMENT MADE
	14	If it is determined that bond coverage is no longer required, the period of liability may be terminated. Otherwise, the full amount of the bond must be restored.	
ABSS Entry ALMRS Entry	15.	If the payment is made in full by the surety, enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	15a.	Enter Action Date: Date default is corrected; DE 2960 Action Code 485/DE 2910 Action Code 453. Action Remarks: Indicate "PARTIAL" if only partial payments of default is made.	
	15b.	Enter Action Date: Date default payment is received from surety or obligor/principal; DE 2960/2910 Action Code 486; Action Remarks: Amount of payment received.	
	15c	Enter Action Date: Date of notification that bond adjustment is required; DE 2960/2910 Action Code 477; Action Remarks: Enter amount and that bond must be increased to full amount required or a higher amount. Enter Action Date: Future action suspense date when restoration of bond to required amount is due; DE 2960/2910 Action Code 247; Action Remarks: Restoration of bond to full face amount required.	

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Responsible Official	Step	Action	Keywords
Adjudication	16.	If the bond is restored to the face amount, prepare a notice acknowledging the bond restoration.	
ABSS Entry ALMRS Entry	17.	Enter Action Date: Date bond adjustment is received; DE 2960 Action Code 464/DE 2910 Action Code 478; Action Remarks: Effective date (MM/DD/YYYY).	AUTOMATED NOTATION
Adjudication	18	If payment by the surety/obligor is less than the total obligation and the principal refuses to pay the remaining obligation, provide a new bond, or to restore the original bond:	
	18a.	Prepare a decision to the responsible party (lessee, operating rights owner, operator) advising that judicial action to cancel the lease is being initiated due to default and failure to make payments required under the bond (see Illustration 75).	FULL PAYMENT NOT MADE BY SURETY - REMAINING BALANCE DUE
	18b.	Prepare a memorandum to the appropriate Solicitor for the necessary judicial action providing all the required background information (see Illustration 76).	REFER DEFAULT CASE TO SOLICITOR
	18c.	Notify the appropriate Field and State Offices that all bond monies have been collected but are insufficient to cover the total reclamation costs. The Field Offices may then pursue alternative funding sources.	
	19.	To deposit the partial payment received, see Step XVIII.C.12, above.	

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D. Procedures for Collection on Personal Bond Based on BLM/SMA/Surface Owner RequestKeywords

If neither the obligor, lessee, or operator perform any of the steps addressed above within the time specified, the following actions are to be taken to attach a personal bond.

COLLECTION ON
PERSONAL BOND
BASED ON BLM
REQUEST

Responsible
Official

Step Action

Keywords

Field Office
Operations

1. The Field Office Fluid Mineral Operations personnel must perform the following steps:

1a Coordinate with the SO Procurement/Contracts personnel to obtain three or more estimates from contractors with expertise for the type of work required. A requisition must be prepared to contract with the low bidder, with actual work under the contract normally begun immediately since the personal bond monies must be easily accessible to BLM (see Illustration 66).

PROCURE CONTRACT
FOR PLUGGING AND
RECLAMATION WORK

1b. Prepare a default report to the SO Fluid Leasing Adjudication describing the failure of the operator and lessee to perform the work required. Include copies of all previous correspondence sent to and received from the entities. Recommend that action be taken by the SO Adjudication to collect on the obligor's personal bond. Include a copy of the Field Office requisition.

DEFAULT REPORT
PREPARED

Receiving
Official

- 2 Receive default report. Date/time stamp and forward to Adjudication.

ABSS Entry
ALMRS Entry

3. Enter into the ABSS and, if an individual bond, in Case Recordation.

AUTOMATED
NOTATION

3a. Enter Action Date: Date default determined; DE 2960 Action Code 483/DE 2910 Action Code 451; Action Remarks: Type of default and amount of default.

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Responsible Official	Step	Action	Keywords
Adjudication	4.	If a statewide or nationwide personal bond, identify the lessee and all the leases involved using the ALMRS Proprietor's Report.	
	5.	In the case of a demand on a statewide or nationwide bond, notify all of the appropriate offices (the Field Office Operations for a statewide bond, and the Field Office Operations and all State Offices for a nationwide bond) by a memorandum and the ABSS Bulletin Board to conduct a review and report any liabilities that might exist for the principal (see Illustration 67).	
	6	Check the MMS Delinquent Lease Accounts biweekly listing for leases covered by the bond for which royalties, interest, penalties, and assessments may be due.	
	7.	When all responses are received, prepare a decision to the obligor advising of the appropriation of the personal bond for default (see Illustration 77). The decision is to include:	DEMAND PAYMENT DECISION
	7a.	Nature of the default;	NATURE AND DOCUMENTATION OF DEFAULT
	7b.	Documentation that all BLM and MMS attempts have been made under formal procedures to require the default be corrected.	
	7c.	The amount to be collected under the bond, not to exceed the face value of the bond, with justification to support the amount to be collected.	
	7d.	To whom the contract for work performance is awarded, and the date when the restoration work is to be completed.	TIME ALLOWED FOR OBLIGOR PAYMENT

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Responsible Official	Step	Action	Keywords
	8.	If the bond is a book-entry deposit of a Treasury security, notify the BLM Negotiable Securities Custodian (BC-610) by memorandum of the nature of the default, and request that the Treasury security be sold to obtain the funds needed to cover the default. The Negotiable Securities Custodian will withdraw the security from the Circular 154 Account Number 11 and transfer it to the State Office's suspense account.	COLLECTION OF TREASURY SECURITY
	9.	If the bond is backed by a LOC, CD, or other type of personal bond, prepare a draft for payment and enclose the original security, a copy of the executed bond form (containing the power of attorney), and the payment draft with the decision. Modify Illustrations 20 and 21, as appropriate. Upon receipt, the proceeds must be deposited into the SO's suspense account and are to be transferred by Cash Receipt Document (Form 1372-4) (see Illustration 72) to the Field Office's subactivity from which the contractor is to be paid.	
	10.	After the decision in Step XVIII.D.7, above, is signed, send by certified mail to the obligor, lessee, and operator, with a copy to the MMS-DMD if royalty liabilities also are involved. Route for ABSS and ALMRS Entry.	
ABSS Entry ALMRS Entry	11.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	11a.	Enter Action Date: Date of notification of default correction request; DE 2960 Action Code 484/DE 2910 Action Code 452.	
	11b.	Enter Action Date: Future action suspense date when payment of default is due; DE 2960/2910 Action Code 247	

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Responsible Official	Step	Action	Keywords
Adjudication	12.	When payment is made by the obligor to the BLM, the face amount of the bond is reduced by the amount paid, causing the bond amount to either be totally used or drop below the minimum amount required by the regulations.	RESTORE BOND TO REQUIRED FULL AMOUNT
	13.	When payment is made, issue a decision acknowledging receipt of the payment and requiring the obligor to restore the face amount of the bond back to the minimum amount required by the regulations or such increased amount as may be specified by the Field Office Fluid Mineral Operations in accordance with 43 CFR 3104.5. Alternatively, the obligor may be requested to furnish new bond coverage (see Illustration 74). Failure to do so may result in initiation of lease cancellation proceedings.	DEFAULT REMEDIED
	14.	If the payment is made by an obligor on a statewide or nationwide bond that may be applicable to obligations on leases under the jurisdiction of another State Office, the appropriate State Office(s) must promptly be notified by a copy of the decision that payment under the bond has been made by the obligor. Such a message should also be sent using the ABSS Bulletin Board.	NOTIFY OTHER OFFICES OF PAYMENT MADE
	15.	If it is determined that bond coverage is no longer required, the period of liability may be terminated, otherwise the full bond amount, or an increased bond amount, must be restored.	
	ABSS Entry ALMRS Entry	16.	Enter into the ABSS and, if an individual bond, in Case Recordation.
16a.		Enter Action Date: Date default corrected; DE 2960 Action Code 485/DE 2910 Action Code 453.	

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Responsible Official	Step	Action	Keywords
	16b.	Enter Action Date: Date of notification of bond adjustment required; DE 2960/2910 Action Code 477; Action Remarks: Enter amount and that bond must be restored to full amount required by regulations.	
	16c.	Enter Action Date: Future action suspense date when restoration of bond to required amount is due; DE 2960/2910 Action Code 247; Action Remarks: Restoration of bond to full face amount required.	
Adjudication	17.	If bond is restored to face amount, prepare a notice acknowledging the bond restoration.	BOND RESTORATION NOTICE ISSUED
ABSS Entry ALMRS Entry	18.	Enter Action Date: Date bond adjustment is received by BLM; DE 2960 Action Code 464/2910 Action Code 478; Action Remarks: Effective date (MM/DD/YYYY).	AUTOMATED NOTATION
Adjudication	19.	If proceeds received from collection on personal bond are less than the total obligation:	
	19a.	Prepare a decision to the obligor and all responsible parties (lessee, operating rights owner, operator) advising that judicial action to cancel the lease is being initiated due to the nonpayment of the obligation.	REMAINING BALANCE DUE
	19b.	Notify the Field Office Fluid Mineral Operations staff that all the bond monies have been collected but are insufficient to cover the total plugging and abandonment and reclamation.	
ABSS Entry ALMRS Entry	20.	Enter into the ABSS and in Case Recordation:	

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<u>Responsible Official</u>	<u>Step</u>	<u>Action</u>	<u>Keywords</u>
	20a.	Enter Action Date: Date case is sent to Solicitor's Office for litigation action; DE 2960 Action Code 960; DE 2910 Action Code 042; Action Remarks: SOL; General Remarks: Pending judicial action on bond demand/lease cancellation.	AUTOMATED NOTATION
	20b	Enter Action Date: Date litigation is filed; DE 2960 Action Code 736; DE 2910 Action Code 148; Action Remarks: Nonpayment on default.	

FLUID MINERALS BOND PROCESSING USER GUIDE

E. Collection Based on MMS Request

Upon receipt of a request from the MMS that a payor (lessee, operating rights owner, operator, or other party making royalty payments due the United States) is in default of royalty obligations, the following actions are to be taken to protect the interests of the United States.

When it is necessary to make a demand on a bond for a default of lease obligations, whether the default is a royalty liability, a failure to properly plug and abandon a well, damage to surface improvements, or failure to reclaim the surface area, the **BLM is the responsible agency for demanding payment on a bond.**

It is important that in cases where **both** the BLM and the MMS have concurrent defaults to collect on the same bond, the **BLM shall have priority of collection of the bond proceeds when the total amount of the default exceeds the bond amount, with any remaining monies going to the MMS for the royalty** (including interest, penalties, and assessments for royalty liabilities). When a demand on a bond involves a lease the surface of which is administered by the Forest Service, a default by a lessee, operating rights owner, or operator that involves environmental concerns shall be given priority over a royalty liability (see Appendix 21).

Keywords

BOND COLLECTION
BASED ON
MMS REQUEST

BLM IS
RESPONSIBLE
AGENCY TO DEMAND
PAYMENT ON BOND
FOR RECLAMATION
AND ROYALTY

BLM RECLAMATION
HAS PRIORITY OVER
ROYALTY LIABILITY
DEFAULT ON BOND
COLLECTION BY
DEPARTMENT POLICY

FLUID MINERALS BOND PROCESSING USER GUIDE

F. Procedures for Collection Based on MMS Request

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive default report from the MMS; date/time stamp and forward to Adjudication.	
Adjudication	2.	Check that the MMS request clearly describes the nature of the default, the efforts made by the MMS to have the default corrected by the principal and/or surety, and provides the total amount of monies owed to the MMS (royalty, interest, penalties, and assessments).	DEFAULT REPORT RECEIVED FROM MMS
	3.	Identify lessee/leases involved using the ALMRS Proprietor's Report. If the total amount due on a given lease is less than \$100, send a memorandum to the MMS to write off collection of that item (see Illustration 78).	WRITE-OFF THRESHOLD
	4.	Contact the appropriate offices (State Offices, Field Office Operations) by a memorandum requesting a review and report of any liabilities that exist for the principal/obligor (see Illustration 79).	FIELD OFFICE/ OTHER STATE OFFICE REPORTS OF LIABILITIES REQUESTED
Field Office Operations	5.	If the surface of the lease is administered by the Forest Service, the Field Office Fluid Mineral Operations staff is responsible for contacting the Forest Service to request the determination of the amount of monies owed for reclamation on the Forest Service surface.	
ABSS Entry ALMRS Entry	6.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	6a.	Enter Action Date: Date the royalty default for MMS was determined; DE 2960 Action Code 483/DE 2910 Action Code 451; Action remarks: Reason ("RLTY")	

FLUID MINERALS BOND PROCESSING USER GUIDE

Responsible Official	Step	Action	Keywords	
Adjudication	7.	Issue a decision to the obligor or to the principal and surety calling for payment within a specific period of time (see Illustration 80).	DEMAND COMPLIANCE DECISION	
	8.	The decision is to include:		
	8a.	Nature of the default		
	8b.	Corrective action required, including both the amount of royalties (including interest, penalties, and assessments) due and the estimated reclamation costs (as necessary), not to exceed the face value of the bond;		
	8c.	A statement that judicial proceedings may be initiated if the demand is not complied with;		
		Both the royalty monies and the reclamation costs are to be paid to the BLM in some form of guaranteed remittance.	ROYALTY PAYMENTS DUE	
	9.	After the decision is signed, send by certified mail to the surety and principal/obligor, with a copy to the MMS-DMD. Route for ABSS Entry.		
	ABSS Entry ALMRS Entry	10.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
			Enter Action Date: Date of notification of default correction request; DE 2960 Action Code 484/DE 2910 Action Code 452.	
		Enter Action Date: Future action suspense date when payment of default is due; DE 2960/2910 Action Code 247.		
Adjudication	11.	When payment is received, complete accounting advice for reclamation and royalty monies received (see Illustrations 81 and 82).	ACCOUNTING ADVICE PREPARED WHEN MONIES RECEIVED	

FLUID MINERALS BOND PROCESSING USER GUIDE

Responsible Official	Step	Action	Keywords
		<p>NOTE: The BLM must provide same-day confirmation receipt to the MMS by fax or overnight mail when the payment is received by the BLM. The MMS royalty portion of the monies must be transferred to the BLM Business Center by the Online Payment Accounting Collection (OPAC), Form 1372-5, so that the MMS Royalty Management Program (RMP) can access the data within 5 working days of receipt of the payment. The confirmation must be sufficiently detailed so the RMP can identify the payment (see Illustration 83). Receipt in BLM of the monies owed stops the accrual of interest for the amount paid. Receipt of full payment to the BLM stops the accrual of penalties.</p>	<p>PAYMENT CONFIRMATION REPORT TO MMS ON DATE MONIES RECEIVED</p>
Accounts	12.	<p>Transfer the funds to the MMS by the OPAC Form 1372-5, and notify the MMS of receipt of the payment (see Illustration 84).</p>	<p>OPAC TRANSFER</p>
Adjudication	13.	<p>When the payment is made by a surety to the BLM, the face amount of the bond is reduced by the amount paid, causing the bond amount either to be totally used or drop below the minimum amount required by the regulations.</p>	<p>RESTORE BOND TO REQUIRED FULL AMOUNT</p>
	14.	<p>When the payment is made, issue a decision acknowledging receipt of the payment and requiring the principal/obligor to restore the face amount of the bond back to the minimum amount required by the regulations or such increased amount as specified by the Field Office Fluid Mineral Operations in accordance with 43 CFR 3104.5. Alternatively, request the principal/obligor to furnish new bond coverage (see Illustration 74). Failure to do so may result in initiation by the BLM of lease cancellation proceedings.</p>	<p>DEFAULT REMEDIED</p>

FLUID MINERALS BOND PROCESSING USER GUIDE

Responsible Official	Step	Action	Keywords
	15.	If the payment is made by a surety from a statewide or nationwide bond that may be applicable to obligations on leases under the jurisdiction of another State Office, the appropriate State Office(s) must promptly be notified by copy of the decision that payment under the bond has been made by the surety. Such a message should also be sent on the ABSS Bulletin Board.	NOTIFY OTHER OFFICES OF PAYMENT MADE
	16.	If it is determined that the bond coverage is no longer required, the period of liability may be terminated. Otherwise, the full bond amount must be restored (or the bond increased in face amount).	
ABSS Entry ALMRS Entry	17	Enter into the ABSS and, if an individual bond, in Case Recordation. Enter Action Date: Date of notification of bond adjustment required; DE 2960/2910 Action Code 477; Action Remarks: Enter amount and whether bond is increased. If the payment is made by the principal/obligor - Enter Action Date: Date the default is corrected; DE 2960 Action Code 485/DE 2910 Action Code 453; Action Remarks: Amount of required payment received, and if only partial payment made.	AUTOMATED NOTATION
	17c	If the payment is made by the surety, also enter - Enter Action Date: Date the default is paid by the surety; DE 2960/2910 Action Code 486; Action Remarks (Case Recordation): Payment amount.	

FLUID MINERALS BOND PROCESSING USER GUIDE

XIX. Statute of LimitationsKeywordsA. Background

Statutes of limitations are enacted by Congress and the State legislatures primarily to prevent futile civil or criminal actions by Federal and State governments. The statutes of limitations provide a reasonable time limit after which the Government will no longer take action.

STATUTE OF
LIMITATIONS
INFORMATION
AND BACKGROUND

The statutes of limitations applicable to the BLM and the MMS debt collection do not bar either agency from pursuing a debt by administrative means. The relevant statute of limitations for Federal oil and gas **royalty management** debt collection actions is now 7 years, effective August 13, 1996, and is codified at Section 115 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1701 et seq., as amended by the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (Pub.L. 104-185).

STATUTE OF
LIMITATIONS
FOR ROYALTY
MANAGEMENT
MATTERS IS NOW
7 YEARS

Section 115(b)(1) of the law now provides that for royalty management actions, rather than the standard 6-year statute of limitations provision, "A judicial proceeding or demand which arises from, or related to an obligation, shall be commenced within seven years from the date on which the obligation becomes due and if not so commenced shall be barred." The Federal Oil and Gas Royalty Simplification and Fairness Act further states in Section 115(b)(3) that "The limitations set forth in sections 2401, 2415, 2416, and 2462 of title 28, United States Code, and section 42 of the MLA (30 U.S.C. 226-2) shall not apply to any obligation to which this Act applies." Section 115(d)(3) further states that the running of the limitation period under subsection (b) of the act shall not be suspended, tolled, extended, or enlarged for any obligation for any reason by any action, other than the intentional misrepresentation or concealment of a material fact for the purpose of evading the payment of an obligation, in which case the limitation period shall be tolled for the period of such misrepresentation or such concealment.

However, the statute of limitations applicable for BLM Federal oil and gas lease operational aspects continues to be 6 years and is codified at 28 U.S.C. 2415 (1982). That section provides, in part:

STATUE OF
LIMITATIONS
FOR LEASE
OPERATIONS
IS 6 YEARS

FLUID MINERALS BOND PROCESSING USER GUIDE

Keywords

"Subject to the provisions of section 2416 of this title, and except as otherwise provided by Congress, every action for money damages brought by the United States or an officer or agency thereof which is founded upon any contract express or implied in law or fact, shall be barred unless the complaint is filed within six years after the right of action accrues or within one year after final decisions have been rendered in applicable administrative proceedings required by contract or by law, whichever is later: Provided, that, in the event of later partial payment or written acknowledgment of debt, the right of action shall be deemed to accrue again at the time of each such payment or acknowledgment"

The law states that no action can be maintained in a Court of the United States; it says nothing about barring debt collection activities by the agency **not** involving the courts. There are two important reasons for not barring further action by an agency to collect debts:

First, as a legal matter, if a debtor acknowledges a debt in writing or makes a partial payment on the debt, the statute of limitations begins to run again. For example, if the BLM, after 6½ years, decides to collect a debt owed by Corporation A, it may simply send Corporation A a bill. If Corporation A acknowledges the debt by payment, partial payment, or by letter agreeing with the bill, then the BLM once again has 6 years to bring an action in court for the payment of that debt; that is, the statute of limitations in 28 U.S.C. 2415(a) (1982) begins to run again.

ACKNOWLEDGEMENT
OF DEBT AFTER
END OF 6-YEAR
STATUTE OF
LIMITATIONS
STARTS 6-YEAR
CLOCK AGAIN

Second, the nature of the company's holdings is a factor. For example, assume that Corporation A is a large, multi-national oil company holding interest in several Federal leases. In all likelihood, that company will pay the bill without question because, (1) the company wants to maintain its reputation as a "good citizen," and (2) the people in that corporation know they have to do substantial business in the future with the BLM. The corporation does not wish to jeopardize its future working relationship with the BLM.

For a contrasting example, assume that a corporation had only one Federal lease in its extended term with marginal production which ceased production 7 years ago. The corporation is now defunct. Pursuing the plugging and restoration debt is impractical because collection is unlikely.

FLUID MINERALS BOND PROCESSING USER GUIDE

Responsible Official	Step	Action	Keywords
		17d. Enter Action Date: Future action suspense date when restoration of bond to required or increased amount is due; DE 2960/2910 Action Code 247; Action Remarks: Restoration of bond required to full face amount or an increased amount.	
Adjudication	18	If the bond is brought back up to the face amount required, prepare a notice acknowledging the restoration.	BOND RESTORATION
	19.	If a new replacement bond is filed, follow the replacement bond procedures (see Section XIV, above).	
ABSS Entry ALMRS Entry	20	Enter into the ABSS and, if an individual bond, in Case Recordation	AUTOMATED NOTATION
	20a.	Enter Action Date: Date bond adjustment is received; DE 2960 Action Code 464/DE 2910 Action Code 478; Action Remarks: Effective date (MM/DD/YYYY).	
Adjudication	21.	If the default is not corrected to the satisfaction of the MMS, prepare a decision to the surety and principal/obligor stating that judicial action is being initiated by the BLM to cancel the lease due to the nonpayment of the demand on the bond (see Illustration 70).	DEFAULT NOT CORRECTED
	22.	Prepare a memorandum to the appropriate Solicitor and forward the case for judicial action, providing all the background information (see Illustration 71).	REFER DEFAULT CASE TO SOLICITOR
ABSS Entry ALMRS Entry	23.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION

FLUID MINERALS BOND PROCESSING USER GUIDE

Responsible Official	Step	Action	Keywords
	23a.	Enter Action Date: Date litigation is filed; DE 2960 Action Code 736/DE 2910 Action Code 148; Action Remarks: Civil action number and note that this is a BLM action on the surety/principal/obligor for nonpayment on default; and	
	23b	Enter Action Date: Date case is sent to the Solicitor's Office for litigation action; DE 2960 Action Code 960/DE 2910 Action Code 042; Action Remarks: Solicitor's Office; General Remarks: Pending judicial action on bond demand.	
Adjudication	24.	If the surety failed or refused to make the default payment under the bond, prepare a letter to the Department of the Treasury, Surety Bond Branch, 401 14th Street, S.W., Washington, D.C. 20027, advising it that the surety has failed to render payment under the bond, and request the Treasury Department to take action to decertify the surety (see Illustration 69).	DECERTIFICATION OF SURETY REQUEST TO DEPARTMENT OF THE TREASURY

FLUID MINERALS BOND PROCESSING USER GUIDE

Keywords

An important qualification to the information discussed above is contained in 28 U.S.C. 2416(c) (1982) which provides, in part:

". . . [F]or the purpose of computing the limitations periods established in section 2415, there shall be excluded all periods during which . . . facts material to the right of action are not known and reasonably could not be known by an official of the United States charged with the responsibility to act in the circumstances;"

MATERIAL
FACTS NOT
REVEALED
BY ENTITY

If, for example, Corporation B sends information to the BLM that reveals a debt, and the BLM fails, through lack of budget, low priority, or other reasons, to pursue the debt in court for 8 years, the United States is barred from collecting the debt by an action in court (but **not** by other means discussed above). If, however, Corporation B conceals the facts which would put the BLM on notice of the debt or infraction, the statute of limitations does not begin to run until the BLM discovers the facts, even if this is many years later.

DEBT PURSUIT
IN COURT
BARRED WHEN
AGENCY FAILS
TO ACT ON
KNOWN FACTS

The difficulty with this statutory section is in deciding whether the BLM "knew or should have known" of the debt. If the debtor has submitted the correct reports, but the BLM has misfiled them without taking action, clearly the statute of limitations will continue to run because the BLM "knew or should have known" of the debt or infraction.

The exception for fraud means that, if the person gave false information or concealed the true information about a case, the statute of limitations does **not** begin to run until the correct information becomes known.

FRAUD
EXCEPTION
PROVISIONS

FLUID MINERALS BOND PROCESSING USER GUIDE

B. Relationship to Collections Under Bond

If a bond is still active, payment can be demanded under it for deficiencies more than 6 years old. Also, payment can be demanded **after** the period of liability of a bond has been terminated due to the fact that terminating the period of liability of the bond only means that no **new** cause of action may accrue.

A bond is a contract which must be construed in accordance with the terms of the contract and the intent of the parties. Where a bond is given to ensure a statutory obligation, it is known as a statutory bond. The terms of the statute and implementing regulations are considered to be incorporated into and are considered a part of the contract because the obvious purpose of the bond is to ensure the faithful performance of all obligations and conditions by the party obtaining the bond.

When the BLM determines, to the extent that it is able, that the terms and conditions of the lease(s) have been met, it terminates the period of liability of the bond; i.e., it sets a specific time after which no new liability may accrue. This termination of the period of liability by the BLM does not mean that the surety may deny liability for a cause of action accruing **before** termination of the period of liability. For example, Company A plugged and abandoned a gas well in 1985 and the Field Office Fluid Mineral Operations determined at that time that the terms of the lease had been met. The period of liability of the bond was released in 1986 and the lease expired in 1987. However, adverse effects of improper plugging and abandonment of the gas well did not become manifest until 1993. Company A is liable because the improper plugging activities occurred during the term of the bond under its former lease. Company A's surety also will be liable because its liability is co-extensive with that of the principal, i.e., the surety is not relieved of liability for improper activities that occurred during the period the bond was in effect, but whose adverse effects do not manifest themselves until after the period of liability of the bond was terminated. Moreover, the applicable statute of limitations would not begin to run until 1993 when the BLM was actually aware or should have been aware of the adverse effects of the improper plugging activity.

Portions of the above information are taken from the joint BLM-MMS report entitled Collection under Bonds of Royalty-Related Obligations for Onshore Fluid Mineral Leases, prepared by the Fluid Bonding Task Group, April 1988. Refer to this BLM-MMS report for additional, more detailed information on this subject.

Keywords

STATUTE OF
LIMITATIONS
RELATED TO
BOND
COLLECTION

JOINT BLM-MMS
TASK FORCE
REPORT OF
APRIL 1988

FLUID MINERALS BOND PROCESSING USER GUIDE

KeywordsXX BankruptcyA. Background

By law, the MMS cannot bill a bankrupt payor for prepetition debts. The BLM **can**, however, take action against a bankrupt debtor's bond since the bond is **not** considered part of the bankruptcy estate (refer to Solicitor's Opinion, No. BLM R.M. 0641, March 5, 1986). Both the BLM and MMS must be aware of procedural limitations and requirements from a legal standpoint in order to comply with the Bankruptcy Code and still ensure collection of maximum available amounts under the bond.

BANKRUPTCY
PROVISIONS

This section provides only general guidance regarding the areas of bankruptcy proceedings that concern the BLM and MMS operations. Various bankruptcy courts interpret the Bankruptcy Code sections differently. Therefore, the same result cannot be expected in each proceeding. Accordingly, coordination among the BLM, MMS, and the appropriate Department of the Interior Solicitor's Office is necessary to protect the U.S. Government in bankruptcy proceedings.

Pursuant to the 1978 United States Bankruptcy Code (11 U.S.C. 101 et seq.), a debtor, typically an individual or a company experiencing financial difficulties, may seek an organized liquidation of its debts and business or a restructuring of the debt through a reorganization. A Chapter 7 bankruptcy proceeding is a liquidation process in which the assets of the debtor are sold and the creditors are paid a pro rata share from the proceeds. Generally, the percentage of the debt returned to the creditor in a Chapter 7 proceeding ranges from zero to 4 percent. The bankruptcy court appoints a trustee in a Chapter 7 proceeding who is responsible for conducting the business of the debtor's estate during the liquidation procedure.

CHAPTER 7
BANKRUPTCY

FLUID MINERALS BOND PROCESSING USER GUIDE

Keywords

The Chapter 11 bankruptcy proceeding generally provides for the orderly restructuring of the debts of the business to allow the debtor to continue to operate with the assets necessary to conduct business after its discharge from the bankruptcy proceedings. The plan of reorganization, which establishes the method of restructuring the debt, allows for some return to the creditors while at the same time enabling the debtor to continue to operate. In a Chapter 11 proceeding, the court may appoint a trustee to supervise the business affairs of the entity, or the debtor may be allowed by the court to operate its financial affairs and business as a debtor-in-possession.

CHAPTER 11
BANKRUPTCY

Included by the debtor in the filing of the bankruptcy petition is a list of scheduled creditors to whom prepetition amounts are owed. This list is a part of the bankruptcy schedules. Generally, an agency's (e.g., the MMS's or BLM's) scheduled amount or its claim is an unsecured debt. Although the agency may be listed with a scheduled amount, the agency needs to verify the amount and file a proof of claim for the prepetition amount through its designated representative (through the appropriate Solicitor's Office) before the "bar date" established by court order. The "bar date" is the last date set by the court to receive and to allow proofs of claim filed by creditors. The proof of claim can be amended with less difficulty than a scheduled amount can be changed.

Upon receipt of notification of the filing of a bankruptcy petition by a debtor, the BLM and MMS need to notify the designated bankruptcy coordinator of the other agency so that the leases held by the lessee are reviewed for defaults and that the financial account status of a payor is reviewed for prepetition and post-petition amounts that may be owed. If an agency discovers a bankruptcy proceeding for which it is **not** receiving notification by the bankruptcy court, but in which it believes it has an interest, it is to contact the appropriate Solicitor's Office to request preparation of an agency notice of appearance in the bankruptcy proceeding.

ACTION UPON
NOTIFICATION
OF BANKRUPTCY
OF AN ENTITY

FLUID MINERALS BOND PROCESSING USER GUIDE

Keywords

Currently, the MMS produces a quarterly listing that shows entities involved with the Federal mineral leasing program that have filed bankruptcy petitions. This updated listing is circulated throughout the MMS and to all BLM State Offices. Upon discovery of defaults on the leases, possible refund amounts, or prepetition receivables, the appropriate Solicitor's Office is to be notified by memorandum with the necessary documentation attached. The Solicitor's Office coordinates with the BLM State Offices and the MMS concerning presentment of proofs of claim and other bankruptcy problems. It is important that no action against the bond of the bankrupt entity be taken by the BLM without concurrence of the Solicitor handling the proceeding. Although the bond, which is provided by the entity to the U.S. as assurance that the lease obligations will be fulfilled, is **not** part of the estate of the bankrupt entity and remains available to the BLM for restoration of the bankrupt party's leases for purposes of protection of health, safety, and the environment, the BLM office needs to advise the Solicitor's Office prior to making a demand on such a bond held by a bankrupt entity.

BANKRUPTCY
LISTING
PREPARED
BY MMS

FLUID MINERALS BOND PROCESSING USER GUIDE

B. Agency Procedure Regarding Discrimination Against DebtorKeywords

Any Federal agency policy that treats debtors in a substantially different manner because of the bankruptcy proceeding violates the Bankruptcy Code prohibition concerning discrimination against a debtor, 11 U.S.C. 525, which states:

DISCRIMINATION
OF FIRM DUE TO
BANKRUPTCY
PROHIBITED

". . . [A] governmental unit may not deny, revoke, suspend, or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such a grant to, discriminate with respect to such a grant against . . . a person that is or has been a debtor under this title . . . or another person with whom such bankrupt or debtor has been associated, solely because such bankrupt or debtor is or has been a debtor under this title . . . has been insolvent before the commencement of the case . . . or has not paid a debt that is dischargeable"

Accordingly, agency lease cancellation solely by virtue of the bankruptcy is prohibited. However, a lease may terminate by its terms during the course of the bankruptcy proceeding, e.g., a nonproducing lease may terminate automatically for failure to pay annual rental. Pending lease offers and applications for approval of assignments are to be reviewed and processed in the normal method, unless notification is received from the bankrupt party or the court to withhold the approval of assignments transferring the bankrupt interests. If other reasons exist for rejection of the pending actions and the agency cannot grant approval, before acting, the agency is to consult with the appropriate Solicitor.

FLUID MINERALS BOND PROCESSING USER GUIDE

C. Automatic StaysKeywords

Upon the filing of a petition under either Chapter 7 or Chapter 11, the automatic stay provisions of 11 U.S.C. 362(a) become effective. The stay prevents "the commencement or continuation . . . of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the [bankruptcy] case;" the enforcement of a judgment obtained against the debtor before the commencement of the bankruptcy case; the taking of any other action "to collect, assess, or recover a claim against the debtor that arose before the commencement of the [bankruptcy] case," and the "setoff of any debt owed to the debtor that arose before the commencement of the [bankruptcy] case against any claim against the debtor."

AUTOMATIC STAY

The automatic stay is applicable against all entities, including agencies of the U.S. Government. This provision was implemented to ensure that the bankruptcy is an orderly process and to safeguard the assets of the bankrupt estate.

Exceptions to the automatic stay have been interpreted narrowly by the courts. Generally, any exercise of a regulatory power to protect a purely pecuniary interest of the United States would be considered a violation of the stay. Exercise of power to protect the public health, safety, and welfare would come within the exceptions.

1. Operator in Bankruptcy

If a default occurs, the BLM can proceed regardless of whether the default occurred before or after the bankruptcy action was filed. The automatic stay provision does not apply where a governmental unit is suing (or otherwise proceeding against) a debtor to prevent or stop a violation of fraud, environmental protection, consumer protection, safety, or similar police or regulatory enforcement laws, or attempting to fix damages for violations of such a law. Therefore, as long as the BLM's action is not simply seeking to protect the pecuniary interest of the U.S., the BLM may enforce the regulations and issue notices of incidents of noncompliance pursuant to the normal time frames for infractions that occurred prior to the bankruptcy filing. Penalties and assessments or fines and damage calculations may be made. However, actual collection of money may not be allowed because enforcement of a money judgment would give the U.S. a preferential treatment to the detriment of other creditors.

LEASE OPERATOR
IN BANKRUPTCY

FLUID MINERALS BOND PROCESSING USER GUIDE

Keywords

The automatic stay provisions do not apply to defaults that arise after the filing of the bankruptcy action. The BLM is to continue to enforce the regulations against the operator, i.e., remedial action may be sought. Normal time frames may be employed for correction of both prepetition and postpetition violations of operational requirements. Additionally, assessments and penalties or fines and damage calculations may be made. Actual collection of money might not be allowed by the bankruptcy court, however.

AUTOMATIC STAY
NOT APPLICABLE
TO SOME DEFAULTS
AFTER FILING OF
BANKRUPTCY

If you have knowledge that a lease operator is in bankruptcy and may result in lease operational problems, notify the lessee by a copy of any notification that is sent to the operator to allow the lessee to respond, since the lessee is also responsible for compliance with all lease terms and conditions.

The operator's bond is a source of payment for defaults since the bankruptcy filing has no effect on the bond proffered to the BLM for lease operations. It is important that the BLM follow the required regulatory procedures and give prompt notification of all operational infractions using the notice of incidence of noncompliance and written orders, particularly if lease shutdown or cancellation has to be sought.

2. Lessee is the Debtor

Remedies available if the lessee is conducting oil and gas operations are the same as when an operator is in charge. The automatic stay provisions will generally **not** prevent enforcement actions. Lease cancellation may not always be allowed, however. Additional considerations exist since the lease is an executory contract that may be either accepted or rejected by the bankrupt lessee. The 1984 amendments to the bankruptcy laws require the assumption or rejection of a lease within 60 days after the date of the bankruptcy filing for both a Chapter 7 and Chapter 11 bankruptcy, otherwise the lease is deemed to be rejected by the bankrupt party. The BLM must establish whether the lease is in default and what actions are necessary to cure such default. This would primarily include incidents of noncompliance. Failure to pay rent timely is **not** considered a default because the lease automatically terminates by its own terms. Such termination is **not** precluded by the automatic stay. Likewise, since failure to pay rent terminates the lease, the ability to continue or reject the lease is no longer an option for the debtor.

LESSEE IN
BANKRUPTCY

LEASE TERMINATION
FOR FAILURE TO
PAY ANNUAL RENTAL
NOT PRECLUDED BY
AUTOMATIC STAY

FLUID MINERALS BOND PROCESSING USER GUIDE

Keywords

If the lessee decides to reject the lease rather than accept it, in essence, a lease relinquishment occurs. The BLM can file a claim for damages that would relate back to the date of the bankruptcy filing. Such a claim must involve safety, health, and environmental conditions related to the lease operations (see Appendix 22 for a Solicitor's Memorandum BLM.ER.0645, dated May 19, 1987).

BANKRUPTCY
REJECTION CAUSES
LEASE TO BE
RELINQUISHED

The imposition of an assessment to compel compliance with the regulations implementing the Mineral Leasing Act is an exercise of the Department's regulatory power which is not stayed by the filing of a bankruptcy petition by an oil and gas lessee or operator (see Chase Energy, Inc., 115 IBLA 76 (1990)). It is proper for the BLM to issue a written order directing clean up of oil-contaminated soil from a well site.

FLUID MINERALS BOND PROCESSING USER GUIDE

D Procedures for Collecting Prepetition Debts Under BankruptcyKeywords

1. The bankruptcy coordinator for the MMS, Office of the Associate Director for RMP, compiles a list of all known bankruptcy filings, including the name of the debtor, type of proceeding, and date of bankruptcy filing. This list normally is compiled on a quarterly basis with any updates transmitted during the interim period. Each BLM State Office receives a copy of this bankruptcy list directly from the MMS.

PREPETITION
DEBT
COLLECTION
PROCEDURES

2. Based on the bankruptcy list received from MMS, the SO fluid leasing adjudication is to take the following steps:

a. Order an ALMRS Proprietor's Report to determine those leases held by each entity listed on the bankruptcy list;

b. Check the leases indicated for each entity on the ALMRS Proprietor's Report against the biweekly MMS Delinquent Lease Account listing;

c. Request reclamation reports from the Field Office Fluid Mineral Operations staff for those leases listed on the ALMRS Proprietor's Report. The Field Office is to immediately advise the SO Adjudication of any claims against the bankrupt party, including an itemization of any outstanding assessments and penalties.

d. Report all defaults identified on leases held or operated by any of the bankrupt entities to the appropriate Solicitor's Office.

3. When any notices or other written documentation of bankruptcy filings that are **not** included on the MMS bankruptcy listing are received by any BLM office, the SO Bankruptcy Coordinator is to immediately notify the MMS Bankruptcy Coordinator (MS 660, Denver) and the appropriate Solicitor. Copies of all other pertinent information, including whether the BLM has identified a default, also is to be transmitted to the appropriate Solicitor's Office.

BANKRUPT FIRMS
NOT INCLUDED
ON MMS LISTING

4. Based on any notification of bankruptcy filings from the BLM, the MMS will:

a. Identify whether the debtor is a payor to the MMS. If so, the MMS will determine if the debtor has outstanding royalty-related obligations and will determine the amounts owed.

FLUID MINERALS BOND PROCESSING USER GUIDE

Keywords

b. Report all prepetition receivables to the Office of the Solicitor, Rocky Mountain Region.

5. The BLM and MMS must notify one another to consolidate debts for demand against the bond of a bankrupt entity. The appropriate Solicitor is informed by both the MMS and BLM of the planned action against the bond, but no action against the bond is to be taken without concurrence from the Solicitor.

6. The BLM SO Fluid Leasing Adjudication is to take the lead to demand payment under the bond.

SOLICITOR'S
CONCURRENCE
TO MAKE DEMAND
AGAINST BOND OF
BANKRUPT ENTITY

FLUID MINERALS BOND PROCESSING USER GUIDE

E. Procedures for Collecting Postpetition Debts Under BankruptcyKeywords

Debt collection procedures for postpetition claims and amounts are the same as the procedures to be used for nonbankrupt entities. The only exception is that, if debts are not paid in full by the payor, lessee/operator, or corporate surety, the case is referred to the appropriate Solicitor for action.

POST-PETITION
DEBT
COLLECTION
PROCEDURES

NOTE: The above information is taken from the joint BLM-MMS report entitled Collection Under Bonds of Royalty-related Obligations for Onshore Fluid Mineral Leases, prepared by the Fluid Bonding Task Group, April 1988. Refer to that report for additional, more detailed information on this subject.

JOINT BLM-MMS
TASK FORCE REPORT
OF APRIL 1988

FLUID MINERALS BOND PROCESSING USER GUIDE

XXI. Obsolete BondsKeywordsA. Mineral Claimants Bonds

For patents issued subject to the provisions of the Stockraising Homestead Act of December 29, 1916, mineral entrymen may elect to file a bond with the BLM in order to mine and remove the deposits underlying private surface. This situation arises when the mineral entryman has been unable to secure consent from the patentee, and has been unable to enter into an agreement with the patentee for payment of damages (see 43 CFR 3814.1). This bond is useful to holders of mining claims, but occasionally, inquiries are made as to its necessity for oil and gas lease operations.

BOND FOR
MINERAL ENTRY
STOCKRAISING
HOMESTEAD ACT
OF 1916

This type of bond is not required for oil and gas operations. This separate type of bond is no longer required since it was removed by rulemaking published October 15, 1976 (41 FR 45566). Any such bonds found in existing case files are to be terminated. Adequate protection of surface owners is to be provided by lease bonds required in accordance with 43 CFR 3104. If it appears that the minimum coverage required for operations on a Federal oil and gas lease under a lease bond is not adequate to protect the surface owner, the bond amount is to be increased. Although oil and gas lessees/operators still have the option either to obtain consent from surface owners or enter into an agreement to provide for surface owner compensation, it is expected that most will simply rely on the lease bond submitted in accordance with 43 CFR 3104 to comply with the Stockraising Homestead Act.

FLUID MINERALS BOND PROCESSING USER GUIDE

B. Agricultural Entry Land BondsKeywords

Prior to November 16, 1976, lessees/operators who held Federal oil and gas leases on lands, the surface of which was patented subject to the provisions of the Act of July 27, 1914, and other Acts requiring a bond to protect the surface owners, other than the Stockraising Homestead Act of December 29, 1916, were required to file a \$1,000 lease bond as a condition of entering the land to examine it for possible development.

BOND FOR
PROTECTION OF
OTHER SURFACE
OWNERS -
AGRICULTURAL
ENTRY LANDS

This type of bond is no longer required. Occasionally, because of the terms of leases previously issued, inquiries are made about the requirement for such a bond. Such inquiries are to be answered that this type of bond is no longer required. Any such bonds found in existing case files are to be terminated effective November 16, 1976, without any further processing, unless the case file reflects that there may be outstanding liability existing on the bond and other adequate bond coverage does not exist.

FLUID MINERALS BOND PROCESSING USER GUIDE

C. Known Geological Structure (KGS) or Competitive Lease Bonds

The requirement for bonds where any of the land within a lease was classified as being within a known geological structure was eliminated from the regulations effective November 16, 1976.

Efforts to file such bonds, which were at the rate of \$2 per acre for the lands in a lease with a minimum \$1,000 amount, are to be refused. Such bonds still on file are to be terminated effective November 16, 1976.

Keywords

KNOWN
GEOLOGICAL
STRUCTURE OR
COMPETITIVE
LEASE BOND

FLUID MINERALS BOND PROCESSING USER GUIDE

D. Termination of Obsolete Surface Owner and
KGS Bonds Increased by RidersKeywords

Both bonds to protect surface owners, described in Section XXI.B, above, and for leases within a KGS, described in Section XXI.C, above, were filed on forms for a Bond of Oil and Gas Lessee. Such bonds were often increased by a rider to \$10,000 (or \$5,000) and, thereby, became a regular lease bond as described in Section II, above. Therefore, if such bonds have been increased to the amount of a lease bond, termination of the bond is to be processed as set out in Section XVII, above, rather than terminated as indicated in Sections XXI.B and XXI.C, above.

TERMINATION OF
OBSOLETE BONDS

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-A-

abandonment: an act disclaiming further interest in rights to an oil and gas lease. This must be provable under strict rules of evidence and cannot be presumed since a question of individual intent is involved. Abandonment also is plugging a well, removal of installations, and termination of operations for production from the well. Conclusively abandoned unpatented oil placer mining claims are subject to conversion into a noncompetitive oil and gas lease pursuant to the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 188(f)).

accountable acreage: the total or proportional interest in a Federal oil and gas lease determines the party's total or proportional part of the total lease acreage. See 43 CFR 3101.2 for the acreage limitations and the procedures for instances of excessive accountable acres. Same as "chargeable acreage."

Accounting Advice: Form 1370-41 for control and disposition of money and for input into automated data processing (ADP) systems and the Bonus and Rental Accounting Support System (BRASS). An Accounting Advice is completed when action on a case is complete, or when case status changes occur affecting account, that is, a lease is issued, rejected, or rejected in part and no appeal is taken, or when the appeal has been finalized, or when an assignment is approved, or when a lease account is transferred to the Auditing and Financial System (AFS).

accretion: the addition of land to a fixed land base caused by the gradual change in water course or shoreline over a long period of time. Accretion usually involves a change in property rights. See reliction and avulsion.

acquired lands: lands which the United States obtained by deed through purchases, gift, or condemnation proceedings, including lands previously disposed of under the public land laws including the mining laws.

actual production: a Federal oil and gas lease is considered to be in an "actual production" status whenever it contains one or more wells drilled on a lease or agreement (communitization or unitization) basis which are producing oil and/or gas in paying quantities. A lease is also considered to be in "actual production" status whenever it contains one or more wells drilled on a lease or agreement basis which are capable of producing oil and/or gas in paying quantities even though production is not then occurring.

affirmed: the Interior Board of Land Appeals (IBLA) agrees totally or partially with a decision rendered by Bureau of Land Management (BLM) and/or an appeals court agrees with a lower court decision.

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agent: a person authorized to act for another person; one entrusted with another's business.

aliquot part: a subdivision of a section arrived at by dividing a section into halves and quarters (e.g., 1/2 section, 1/4 section, 1/4 1/4 section) down to 40 acres, unless the acreage is a lot which may be more or less than 40 acres.

allocated production: a Federal lease is considered to be in "allocated production" status when the circumstances for an "actual production" status are not satisfied, but the lease receives an allocation of production (royalty revenues) from a well(s) on other tracts pursuant to an approved agreement to which the lease is committed.

anniversary date: the same date each succeeding year as the effective date of a lease.

appeal: an act of initiating a review of a decision on public land rights to a higher authority, e.g., State Office decision to the IBLA.

applicant: a party submitting an application under the simultaneous leasing program is properly referred to as an applicant until such time as the successful drawee timely submits the executed lease offer form as completed by the appropriate State Office. With the timely submission of the executed lease offer and advance rental if for simultaneous filings made prior to August 1984, the applicant becomes the lease offeror.

application: a written request, petition, or offer to lease lands for the purpose of oil and gas exploration and/or the right of extraction. For the simultaneous leasing program, application refers to the filing made by an applicant for a simultaneous parcel on the computer application form.

assignee or transferee: one to whom an assignment is made.

assignment: the written transfer of all or a portion of the record title interest or other interests from the owner of transferable interests in a lease to another person(s).

- a. partial assignment - all of the assignor's record title interest to a portion of the land in a lease. A new lease case file is created with a new serial number.
- b. partial undivided interest assignment - a portion of the assignor's record title interest in a portion of the lands in a lease. A new lease case file is not created.

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- c. undivided interest assignment - a portion of the assignor's record title interest in all of the lands in a lease. A new lease case file is not created.

assignor, transferor, or grantor: one who transfers an interest to another party.

Authorized Officer: any employee of the BLM who has been delegated the authority to perform the duties set forth to maintain regulatory requirements.

avulsion: the sudden and perceptible change of a shoreline, due to the action of water or a sudden change in the bed or course of a stream. It is the general rule that avulsion affects no change in property lines. See accretion and reliction.

attorney-in-fact: an individual authorized by another to act in one's place or stead, by a power of attorney.

-B-

base lands: in an in-lieu selection or exchange, the lands in which the applicant relinquishes rights as a basis of selection.

base lease: the lease from which a portion is segregated, either by partial assignment or unit segregation. A segregated lease may become a "base lease" upon further segregation.

bona fide purchaser: one whose interest in a Federal lease is protected from an adverse action contrary to one's interests by a timely good-faith purchase. A bona fide purchaser must have acquired the interest in good faith, for valuable consideration, and without notice of violation of Departmental regulations. This provision applies only before notice of cancellation has been received by the lessor and has become part of the BLM records. Assignees are deemed to have constructive knowledge of all of BLM records pertaining to the lease at the time of assignment. Proof of a bona fide purchase of the interest is required.

bond: an agreement in writing in which a surety, or an obligor for personal bond guarantees performance by the principal in the event of default in performance by the principal. See also nationwide, statewide, lessee, personal, exploration, operator, designated operator, and unit operator bonds.

bond rider: any document which amends and becomes a part of the bond.

bonus: a lump sum monetary consideration paid to the United States for the execution of a Federal lease by a successful bidder prior to issuance of a competitive oil and gas lease.

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-C-

cancellation: the revocation or nullification of a right to lease due to the lessee's noncompliance with the lease terms and conditions, laws, or regulations. Also, the revoking of a right to lease due to administrative error of the lessor.

casual use: activities that involve practices which do not ordinarily cause any appreciable disturbance or damage to the public lands, resources, or improvements. Casual use does not require a use authorization from the BLM.

categorical exclusion review: screening process to determine whether further environmental analysis is necessary or if the action is in a category which meets any of the nine exemptions of the National Environmental Policy Act of 1969 (NEPA), as set forth in 516 DM 2.3A(3). Mitigating measures can be considered as part of the screening process. Each categorical exclusion review must be documented by the decisionmaker and must specifically justify any stipulations developed as part of the review. Where other environmental documentation exists, such as an environmental assessment or environmental impact statement, area-wide or umbrella, a categorical exclusion review is not the process to be utilized.

cessation of production: the termination of production of oil and/or gas from a well. Where an oil and gas lease had permanently ceased to produce and no reworking or drilling operations have timely commenced, the lease terminates on the date of permanent cessation of production. There is a fine distinction between temporary and permanent cessation of production. In making this distinction, the pivotal question is whether under "normal" conditions, the well or leasehold was producing enough oil and/or gas to pay a profit over and above the cost of operating the well or leasehold.

chargeable acreage: see accountable acreage.

clearlist: an official clearance determination that lands are not within a known geological structure (KGS) or favorable petroleum geological province (FPGP), and thus can be leased noncompetitively.

committed in part: that portion of lands in a lease committed to a unit agreement that lie within the unit area boundary. See also lease.

communitization agreement: an agreement which allows the bringing together of leases sufficient for the granting of well permit(s) under applicable State spacing requirements. Communitization involves one or more specific geologic formations.

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compensatory royalty: a royalty paid in lieu of drilling a well which would otherwise be required under the terms and conditions of a lease to protect the lease from drainage. A compensatory royalty clause in a Federal oil and gas lease would provide for the payment of a royalty on oil or gas actually produced from other leased lands which result in the drainage of the Federal lands in the instant lease.

compensatory royalty agreement: an agreement accommodating royalty paid in lieu of drilling a well which would otherwise be required under the terms and conditions of a lease, where there is no lease.

competitive lease: a lease for lands within a KGS or FPGP which is awarded to the successful bidder at public sale for not less than fair market value. A single competitive lease cannot cover more than 640 acres in accordance with the Mineral Leasing Act of 1920, as amended, except in Alaska, where lands within a FPGP are divided into competitive leasing blocks of not more than 2,560 acres.

competitive sale: offering of oil and gas leases within a KGS, FPGP, surplus or drainage lands, by competitive bids of not less than fair market value; usually involving a minimum bonus bid per acre.

conflicting offer: where two or more offers cover all or part of the same lands, the first perfected offer becomes a lease, all else being regular.

contiguous lands and contiguous legal subdivisions: lands or legal subdivisions having a common boundary. Lands which simply have a common corner are not considered contiguous.

contraction: reduction of a unit area, usually to the participating area(s).

cooperative agreement: an agreement or plan of development and operation for the recovery of oil and gas in which separate ownership units are independently operated without allocation of production.

curable defect: a deficiency in an offer that can be corrected without loss of priority or infringement on rights of other offers.

-D-

decision: in relation to public land rights, a formally written determination signed by an Authorized Officer setting forth the disposition of a case.

default: the omission or the failure to perform a legal duty.

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designated operator: operator appointed by, employed by, or contracted by the lessee or the holder of operating rights to conduct operations on the lease or a portion thereof. The designated operator does not have a legal interest in the lease and may not obtain a share of the revenues. Designation of operator is filed with the authorized officer.

designated operator's bond: a designated operator is qualified to post the operator's bond for activities on a Federal oil and gas lease.

Designated Tar Sand Areas: see Special Tar Sand Areas.

designated unit area: an approved designated unit area classification creating a nonexclusive right in the applicant to submit a unit agreement for such area. This designated area may be included in another unit area. This classification is not noted on the land status records and is not to be confused with an approved unit agreement. See 43 CFR 3181.2.

development contract: a Federal contract designed to promote timely and full operations in areas where special development incentive and acreage-relief treatment is required if reserves are to be developed. Under such a contract, the holder is freed from the application of acreage limitation restrictions for a specified period of time conditioned on meeting certain diligence requirements as specified in the contract.

divided interest: see lease interest

drainage: migration of oil or gas in a reservoir due to a pressure reduction caused by production from wells bottomed in the reservoir may cause lands or minerals interests owned by the United States to be drained. To ensure that the United States, or the United States and its lessee, are compensated for such drainage, the Authorized Officer may execute agreements for compensation of the drainage with the owners of the adjacent lands where the drainage is occurring. Any agreements shall be made with the consent of any lessee affected by such agreement. If the Federal lands or interests are available for lease, these lands or interests, may be offered in accordance with 43 CFR 3120.

-E-

effective date: the date the lease or assignment becomes effective; typically for a lease, the first day of the month after the issue date, or upon applicant request, the first day of the month of issuance; and, for an assignment, the first day of the month after proper filing of all required documents.

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enviromental assessment: under NEPA, a document of the analysis as to whether a proposed project will have a significant impact on the human enviroment, analysis of all possible alternatives, and whether an environmental impact statement will be required.

enviromental impact statement: under NEPA, a published document that presents for the decisionmaker a proposed project, or action, significant issues, impacts on the human environment, alternatives, mitigations, and responses to comments from the public.

excepted acreage: acreage not accountable under the Mineral Leasing Act limitations. This is acreage committed to an approved or prescribed unit or cooperative agreement; leases subject to operating, drilling, or development contract. Leases within the National Petroleum Reserve in Alaska (NPR-A) issued under the Appropriations Act of 1981 are all considered excepted acreage.

executive order: a document issued by the President of the United States pursuant to statutory authority and inherent powers, published in the Federal Register. In reference to the BLM, executive orders may affect the disposal of lands and/or resources from the operation of some or all the public land and/or mineral laws. Public land orders are now utilized to perform this function.

expansion: enlargement of the participating area of a unit.

expiration: the lapsing of a lease at the end of its primary or extended term.

extended by production: a lease extended so long as oil or gas is produced in paying quantities. Not applicable to right-of-way leases. For 20-year leases or renewals thereof, see Section VIII, H-3107-1.

exploration bond: An acceptable surety or personal bond in the amount of at least \$5,000 filed simultaneously with a notice of intent to conduct geophysical exploration or, in Alaska, an application for a permit. The bond must meet the requirements set forth in 43 CFR 3104. A statewide bond in the amount of \$25,000 covering all oil and gas operations in the same State or a nationwide bond in the amount of \$50,000 covering all oil and gas exploration operations in the Nation.

extension: additional time on a lease beyond the primary term. There are a number of conditions under which an extension can be granted: drilling, production (referred to as lease continuation), formation or elimination of a cooperative unit or plan, segregation by assignment, reinstatement, and renewal. See 43 CFR 3107.

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favorable petroleum geological province: a total province encompassing many possible specific structures or traps designated on the basis of either direct or indirect evidence that does not necessarily mean the past or present existence of a producing or producible well. Effective date of FPGP designation is the date the BLM comprehensively determines, as a result of new discoveries or an analysis of new data, that exploration of the province has high probability for discovery of oil and/or gas. Applicable only to Alaska, pursuant to section 1008 of the Alaska National Interest Lands Conservation Act (ANILCA).

finding of no significant impact (FONSI): a documented summary conclusion when the environmental review under the provision of NEPA reflects no significant impacts or when a project is altered so as to eliminate any significant adverse impacts.

fluid minerals: for the purposes of this Handbook, fluid minerals consist of gas and oil as defined in 43 CFR 3000.0-5.

fractional undivided interest: a proportional interest in a Federal oil and gas mineral estate. See lease interest.

future mineral interest: a whole or fractional interest in all or certain minerals acquired by the United States pursuant to a conveyance under which the grantor retained the mineral interest for a specified period of time, e.g., United States interest is a future interest until such reservation terminates, allowing title to vest in the United States.

-G-

gas: any fluid, either combustible or noncombustible, which is produced in a natural state from the earth and which maintains a gaseous or rarefied state at ordinary temperatures and pressure conditions.

-I-

issue date: date lease is signed by Authorized Officer.

Interior Board of Land Appeals: final administrative entity for reviewing appeals within the Department of the Interior from a BLM action. Agency appeal rights must be exhausted prior to seeking of judicial review. See 43 CFR, Part 4, Subparts B and D.

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-J-

joinder: participation in the development and operation of lands in a lease under the terms and provision of a approved unit and unit operating agreement.

- a. unit joinder - a document whereby the holder of an interest(s) in an oil and gas lease(s) agrees to the terms of a unit agreement and, normally in the case of a holder of record title or operating rights, commonly called the working interest owners, the terms of the applicable unit operating agreement for his interest(s). Joinders are normally filed by the unit operator in the process of approval of the unit agreement by the Authorized Officer and are accepted/approved concurrently with the effective date of the unit agreement, but are effective on the date of filing for Federal leases in the last month of the lease term for purposes of lease extension, such as diligent drilling and production.
- b. late (unit) joinder - a unit joinder, to which a specified percentage of the applicable working interest owners consent, filed with and/or approved/accepted by the Authorized Officer subsequent to the approval of the unit agreement. Normally, a late joinder is considered effective the first of the month following the filing of the necessary documents with the Authorized Officer, or after issuance of a new lease.

joint tenants: a form of concurrent ownership which involves unity of interest, title, time, and possession. Joint tenants must have the same interest accruing under the same conveyance, commencing at the same time, and held under the same undivided possession.

-K-

known geological structure: a geological structure (defined or undefined) in which an accumulation of oil and gas has been discovered by drilling and determined to be productive. The boundary limits include all acreage presumed to be productive. The effective date of a KGS is the date the BLM comprehensively determines the existence of a KGS. This determination occurs after all necessary information, e.g., mechanical logs, electric logs, well histories, well completions, etc., have been correlated and a final geological report has been completed and approved.

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-L-

lease: a contract in legal form that provides for the right to develop and produce oil and gas resources for a specific period of time under certain agreed upon terms and conditions.

- a. lease commitment - the process by which an oil and gas lease becomes part of a unit agreement; requires unit joinder acceptance/approval by the Authorized Officer for all the record title holders and operating rights holders in the lease (so far as any leased lands within the unit area).
- b. lease committed in part - a lease commitment to a unit agreement of a Federal oil and gas lease, which includes land both within the unit area and outside the unit area. A fully committed Federal lease in such a status will be segregated into two leases and the lease outside the unit area entitled to a 2-year extension from the effective date of commitment (if not already in a longer term).
- c. partially committed lease - an oil or gas lease in which one or some, but not all, working interest owners have committed their interest in the lease to a unit agreement. Such a lease becomes fully committed upon the approval/acceptance of unit joinders from all previously uncommitted lease working interest owners.

Note: The terms "committed in part" and "partially committed" are frequently confused, and BLM employees discussing these terms need to ensure that all parties to the discussion use and understand which situation is involved to avoid misunderstandings. "Lease committed in part" is normally used to describe leases where an effective unit joinder requires the BLM to segregate the lease; once the lease is segregated, the lease embracing the lands in the unit area is then fully committed. "Partially committed" is normally used by personnel responsible for supervision of unit agreements to describe leases (which could later become committed in part) where subsequent late joinders could result in effective lease commitment.

lease amendment: a modification in the terms or conditions, land description, rental, royalty, etc., of a lease after lease issuance. The lessee has the right to appeal a decision issuing an amendment to a lease.

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lease interest: a term sometimes used in lease instruments executed at a time the minerals are subject to a lease, often conveying a given fraction or percentage of the interests arising under the existing lease. Undivided lease interest is a portion of interest in all or a portion of the lands in the lease. Undivided lease interests do not create a separate lease case file. Divided interest is a partial assignment whereby all of an assignor's record title interest to a portion of the land in a lease creates a separate new lease with a new serial number.

leasable mineral: oil, gas, sodium, potassium, phosphate, coal, oil shale, tar sands, asphaltic materials, and, in Louisiana and New Mexico, sulphur, and all minerals on the Outer Continental Shelf in acquired lands. See 43 CFR 3100.0-3

legal description: the correct manner, using either the rectangular survey system or metes and bounds, to systematically delineate lands in a lease. The survey system includes designation of the principal meridian, township, range, section, and aliquot parts or lots. A metes and bounds description should also include meridian, township, range and section, whenever possible, for at least the point of beginning of the description.

legal subdivision: generally, a subdivision of a township, e.g., a section, quarter section, lot. (See also aliquot part, regular subdivision, and smallest legal subdivision.)

lessee: the holder of a lease.

lessee bond: a general lease and drilling bond in the amount of not less than \$10,000 conditioned upon compliance with all the terms and conditions of the lease, or \$5,000 for leases issued prior to 1960.

lessor: the grantor of a lease; the United States for Federal leases.

lot: subdivision of a section which is not described as an aliquot part of the section but is designated by a number; e.g., lot 2. The acreage of a lot varies and may be more or less than a regular subdivision.

-M-

metes and bounds: the boundary lines or perimeters of land established by courses and distances from a beginning point to an end point.

mineral reservation: a provision in a patent, deed, or other document of land conveyance which retains in the grantor the right to all or certain minerals in the land, or reservation of fractional interest on all or certain minerals, in perpetuity or for a specified period of time.

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-N-

National Petroleum Reserve in Alaska-wide bond: a bond in an amount sufficient for NPR-A-wide coverage of a lessee's oil and gas interests under the Department of the Interior Appropriations Act, FY 1981. Must be separate coverage from any other nationwide or statewide bond required under the Mineral Leasing Act or Mineral Leasing Act for Acquired Lands.

nationwide bond: a bond in an amount sufficient for nationwide coverage of a lessee's oil and gas interests under the Mineral Leasing Act and the Mineral Leasing Act for Acquired Lands in lieu of a general lease and drilling bond, operator's bond, or statewide bonds. See 43 CFR 3104.3(b).

navigable waters: all tidal waters up to the ordinary mean high-tide lines and all nontidal waters, such as rivers, streams and lakes, that afford a channel for useful commerce up to the mean high-water line. If it is determined that a stream, lake, or river was navigable at the time the State entered the Union, the State has jurisdiction and the lands underlying such waters are not subject to leasing by the Federal Government.

noncompetitive lease: an oil and gas lease which is issued to the first qualified applicant for an over-the-counter filing, or as a result of a simultaneous filing for oil and gas. The lease lands must be outside a KGS or FPGP.

nonnavigable waters: rivers, streams, or bodies of water not tidally affected and not subject to useful commerce or found to be navigable by the appropriate courts. If it is determined that waters were nonnavigable at the time the State entered the Union, ownership of the abutting lands extends to the middle of the stream, lake, or river. If the United States owns the upland oil and gas rights, leasing may be authorized for such riparian waters.

notice: communication of an official action to all interested parties by certified or registered mail, posting in the State Office Public Room, personal service, or by publication in the Federal Register.

notice to lessee (NTL): a written notice issued by the Authorized Officer giving instructions on specific items implementing the regulations under 43 CFR 3160 and operating orders.

-O-

obligee: the party to whom a bond is given (normally used only in the context of personal bonds).

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obligor: the party furnishing a personal bond, who would be considered the principal of a surety bond.

offer: a lease offer form completed by the offeror for an over-the-counter filing and/or the simultaneous offer lease form signed and returned by the successful applicant after the random selection drawing, Form 3100-11.

oil: oil means all nongaseous hydrocarbon substances other than those substances leasable as coal, oil shale, or gilsonite (including all vein-type solid hydrocarbons).

omitted islands: islands not identified in the official survey for a particular section or fractional section. Regulations pertaining to conveyance of title to such lands are set forth under 43 CFR 2547 and 43 CFR 2742.

operator: the person who has control or management of operations on a lease or portion thereof. The operator may be the lessee, or holder of rights acquired by an approved assignment of the operating rights.

operating agreement: written documentation between parties of an operating right. Typically one of the parties is designated as the operator, and the agreement contains detailed provisions for the drilling of a well(s), the sharing of expenses, and accounting methods.

operating order: formal numbered oil and gas orders issued by the Director, implementing the regulations under 43 CFR 3160.

operating rights/working interest: the interest or contractual obligation created out of a lease (such as a sublease) authorizing the holder of that right to enter the leased lands to conduct drilling and related operations, including production, which may include as consideration a share in revenues therefrom. Operating rights may or may not be transferred through an operating agreement, however, transfer of operating rights on Federal leases must be filed and approved on the official assignment form.

operators bond: a bond in the amount of not less than \$10,000 conditioned upon compliance with the lease terms.

option: a right to acquire any interest in an oil and gas lease within specific or reasonable time in the future, subject to acreage restrictions.

overriding royalty: a royalty paid to someone by a record title holder in addition to, or over, the royalty paid to the United States; also, an interest in the lease providing for no control over the operations of the lease, only revenue from lease production.

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over-the-counter: lease issued under the provision of 43 CFR 3111, and generally, the lands have never been leased previously or have been offered under 43 CFR 3112 and have received no applications.

-P-

parcel: the name given to an area of land made available for competitive or noncompetitive leasing.

partial assignment: see assignment.

partial undivided interest assignment: see assignment.

participating area: that part of a unit area which is considered reasonably proven to be productive in paying quantities or which is necessary for unit operations and to which production is allocated in the manner prescribed in the unit agreement.

participating acreage: that part of a unit area to which production is allocated in the manner described in a unit agreement.

party in interest: a party who is, or will be, vested with any legal or equitable rights under a lease. No one is a sole party in interest with respect to an application, offer, or lease in which any other party has an interest.

personal bond: a bond in the amount of \$10,000 or more furnished by the principal in the form of a guaranteed remittance, cash, cashier check, certified check, or negotiable Treasury bonds of the United States, in lieu of a corporate surety bond. Treasury bonds require power of attorney to the Secretary in case of default in performance of the terms and conditions of the lease.

pooling: the bringing together of separately owned (or separate interests in) small tracts sufficient for the granting of a well permit under applicable spacing rules. The process may be voluntary or may be forced/compulsory, whereby Federal oil and gas lessees and other lessees within a specific geological formation are required to pool development operations under a State-forced pool order. The object of pooling is to prevent drilling of unnecessary and uneconomic wells.

precedent: a decision issued by a higher authority which is to be followed in subsequent situations involving identical facts, laws, and regulations.

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primary term: the lease term set by statute: competitive lease, 5 years; noncompetitive lease, 10 years; and NPR-A up to 10 years. For leases subject to section 4(d) of the Act prior to the revision of 1960, 30 U.S.C. 226-1 (d), primary term means all periods of the life of the lease prior to its extension by reason of production of oil and gas in paying quantities.

principal: a party liable for an obligation for whom a surety has become bound for the performance of that obligation.

proper BLM office: the Bureau office having jurisdiction over the lands, subject to the special regulations where the term is used. See 43 CFR 3000.0-5(f).

proprietary information: information submitted to the United States Government in compliance with Government information needs that is not to be distributed to the public because such disclosure would do substantial harm to the competitive position of the outside source from which it was obtained, and would inhibit the Government's ability to obtain this type of information in the future resulting in a substantial detrimental effect on a Government program.

protest: a written objection to a proposed or completed action, e.g., issuance of a lease.

public domain: lands or interests in lands which never left the ownership of the United States, lands which were obtained by the United States in exchange for public lands or for timber on such lands, and lands which have reverted to the ownership of the United States through operation of the public land laws.

public land order: an order affecting, modifying, or cancelling a withdrawal or reservation or public land.

public lands: (a) as defined under the Federal Land Policy and Management Act of 1976, public lands means any land and interest in land owned by the United States within the several States and administered by the Secretary of the Interior through the BLM, without regard to how the United States acquired ownership, except:

1. Lands located on the Outer Continental Shelf; and
2. Lands held for the benefit of Indians, Aleuts, and Eskimos.

H-3100-1 - OIL AND GAS LEASING

public lands: (b) as defined in 43 CFR 3045, public lands means any lands, the surface of which is owned by the United States within the several States and administered by the Secretary of the Interior through BLM, without regard to how the United States acquired ownership, except:

1. Lands located on the Outer Continental Shelf; and
2. Lands held for the benefit of Indians, Aleuts, and Eskimos.

-R-

record of decision: upon a decision being made on an action for which a final environmental impact statement has been prepared, concise record of such decision, including mitigating measures.

record title: primary ownership of an interest in an oil and gas lease that includes the obligation to pay rent, and the rights to assign and relinquish the lease. Overriding royalty and operating rights are severable from record title interests.

rectangular system of survey: a system of cadastral surveys of the original public domain, by which lands are subdivided into townships, ranges, sections, and section subdivisions.

regular subdivision: subdivision of a section which is an aliquot part of acres; e.g., 1/2 section of 320 acres, 1/4 section of 160 acres, and 1/4 1/4 section of 40 acres.

reinstatement: restoring a terminated oil and gas lease to its former status and/or reinstating a conclusively abandoned unpatented oil placer mining claim which can be converted to an oil and gas lease. See 43 CFR 3108.

reliction: the subtraction of land from a fixed land base caused by the gradual change in water course or shoreline over a long period of time. Reliction usually involves a change in property rights. See accretion and avulsion.

relinquishment: the voluntary act of giving up all rights, title, and any interests in an oil and gas lease through declaration (formal legal document, letter, etc.).

restoration: a revocation of a withdrawal which also affects the opening of the public lands in the withdrawal.

rental: remuneration for the right to hold a Federal oil and gas lease. Payment is based on the known total acreage, or if not known, then on the basis of 40 acres of each smallest legal subdivision. Payment is usually due on an annual basis on or before the anniversary date.

H-3100-1 - OIL AND GAS LEASING

reversed: IBLA or appeals court disagreement with lower decision.

riparian rights: rights determined by the ownership of lands on the banks of a water body.

royalty: payment, in money or kind, of a stated share of production from mineral deposits. Royalty may be an established minimum, on a sliding scale or step scale. A step scale royalty rate increases by steps as the average production increases, e.g., 12 1/2 percent for the first 20 barrels per well per day, 13 percent for the next 30 barrels, etc. A sliding scale royalty is based on average production and applies to all production.

-S-

Secretarial order: a document issued by the Secretary of the Interior pursuant to Department and Secretarial powers affecting the management of public lands by Departmental offices and bureaus.

service of notice: the act of giving legal notice to one whose rights could be adversely affected. Service can be accomplished through certified or registered mail, personal delivery, or, under special conditions, by legal publication.

set aside and remanded: IBLA or appeals court returns to BLM or lower court for further consideration, or reverses and vacates the decision.

shut-in well: a producing well that has been closed down temporarily for repairs, cleaning out, building up pressure, lack of a market, etc., but not permanently plugged with cement and abandoned.

simultaneous filing period: the specified period when lease applications are delivered to and received by the BLM Wyoming State Office for a scheduled simultaneous drawing.

Note: Also see 43 CFR 1821.2-3 for determination of priority for other simultaneously received filings. The staged openings to oil and gas leasing of lands in Alaska, and any other over-the-counter offers received at the same time, are processed simultaneously.

simultaneous oil and gas (SIMO/SOG) application: a filing on parcel(s) of specified lands which have been previously leased on a form approved by the Director.

six-mile rule: all portions of an offer must be within a 6-mile square or six surveyed sections in length or width. See acquired lands exception 43 CFR 3110.1-3(b).

H-3100-1 - OIL AND GAS LEASING

smallest legal subdivision: generally, a 1/4 1/4 section, or a lot which may contain more or less than 40 acres.

Special Tar Sand Area: Special Tar Sand Area means an area designated by the Department of the Interior's Orders of November 20, 1980 (45 FR 6800), and January 21, 1981 (46 FR 6077), and referred to in those orders as Designated Tar Sand Areas, as containing substantial deposits of tar and sand. The Designated Tar Sand Areas lie totally within the State of Utah and may be leased only under the provisions of 43 CFR 3140.

split-estate: lands where the owner of the mineral rights and the surface owner are not the same party in interest. The most common split-estate is Federal ownership of mineral rights and other interest ownership of the surface. Where such a condition occurs, the Federal Government can lease the oil and gas rights without surface owner consent.

spudding in: the first boring of the hole in the drilling of an oil well; may, under some circumstances, be expanded to include commencement of operations for drilling. Spudding a well on a lease is normally not sufficient to extend the lease term for diligent drilling over the expiration date.

statewide bond: a bond in the minimum amount of \$25,000, in lieu of a general lease and drilling bond or operator's bond, to cover all leases or operating rights for oil and gas interests within only one State.

stipulations: additional specific terms and conditions that change the manner in which operation may be conducted on a lease, or modify the lease rights granted.

sublease: a reversionary interest/right of reentry distinguishes a sublease from an assignment of a lease interest; if the lessee parts with the entire interest in the lease to a third party, it constitutes an assignment and not a subletting.

surety: a corporation which is legally responsible for the debt, default, or delinquency of another (principal). A Federal surety must hold a certificate of authority as acceptable to the Department of the Treasury to give bonds to the United States.

surface management agency: any agency outside of the Department of the Interior with jurisdiction over the surface overlaying federally owned minerals.

H-3100-1 - OIL AND GAS LEASING

-T-

termination: lapsing of a nonproducing oil and gas lease for failure to timely pay rentals when due on or before the anniversary date.

termination of the period of liability: the release of the surety from the responsibility for the debt, default, or delinquency of the principal; done only upon a determination that no bond is required or that a satisfactory replacement bond has been accepted.

top filing: offers of lower priority, by date, made on the same described lands. The first perfected offer by date of priority receipt is accepted, all else being regular.

trespass: any use or occupancy of the lands or resources of the United States without authority.

-U-

undivided interest: see lease interest.

unit: an area of land to which committed parties with interests in the land are bound to share the oil and gas produced on a specified basis. Those having the right to conduct drilling operations on the land are bound to share investment and operating costs on a specified basis. The BLM determines and approves this area for administrative purposes. A unit may be either expanded or contracted in size on the recommendation of the operator with the Authorized Officer's approval. There are three types of units:

- a. exploratory unit - a unit that has no preexisting production from the unitized formation(s).
- b. producing unit - a unit that has production from the unitized formation(s). An exploratory unit becomes a producing unit upon discovery of a unitized substance
- c. secondary recovery unit - a producing unit in which the primary reserves have been or nearly been depleted and in which the operator intends to use some (secondary) method to increase recovery, that is, water injection, gas injection, etc.

unit area: the area described in the unit agreement as constituting the land logically subject to exploration and/or development under the agreement.

H-3100-1 - OIL AND GAS LEASING

unit agreement: an agreement or plan of development and operation, generally a written document for the recovery of oil and gas within a unit. The unit agreement consolidates separate leases into a single consolidated unit without regard to separate ownership rights and for the purposes of operating and allocating costs and benefits on a basis as defined in the agreement or plan.

unit operator: the person authorized under the unit agreement approved by the BLM to conduct operations within the unit.

unit operator's bond: a bond furnished by a unit operator in the amount requested. If the unit operator holds all of the working interests in the leases committed to the unit and has an acceptable statewide or nationwide bond on file, additional coverage may not be required.

-W-

withdrawal: lands designated by the Executive Branch or Congress as not available for settlement, location, sale, or entry under the public lands laws and, occasionally, the mineral leasing laws.

withdrawal (offer): written, signed request from an applicant to remove a lease offer from consideration. The withdrawal must be received by the proper BLM office before the lease, amendment, etc., is signed on behalf of the United States. Simultaneous oil and gas applications cannot be withdrawn. See 43 CFR 3110.2.

H-3104-1 - BONDS

Oil and Gas or Geothermal Lease Bond, Form 3000-4

Form 3000-4
(June 1988)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bond Number

OIL AND GAS OR GEOTHERMAL LEASE BOND

Act of February 25, 1920 (30 U.S.C. 181 et seq.)
Act of August 7, 1947 (30 U.S.C. 351-359)
Department of the Interior Appropriations Act, FY 1981 (42 U.S.C. 6508)
Act of December 24, 1970 (30 U.S.C. 1001-1025)
Other Oil and Gas and Geothermal Leasing Authorities as Applicable

Lease Serial Number (For Individual Bond Only)

CHECK ONE: OIL AND GAS GEOTHERMAL RESOURCES

CHECK ONE:
 SURETY BOND

KNOW ALL BY THESE PRESENTS, THAT _____ (name)
of _____ (address)
as principal, and _____ (name)
of _____ (address), as surety,
are held and firmly bound unto the United States of America in the sum of _____

_____ dollars (\$ _____),
lawful money of the United States, which may be increased or decreased by a rider hereto executed in the same manner as this bond.

PERSONAL BOND

KNOW ALL BY THESE PRESENTS, That _____ (name)
of _____ (address), as principal, is held and firmly
bound unto the United States of America in the sum of _____
_____ dollars (\$ _____), lawful money of the United States which sum may be
increased or decreased by a rider hereto executed in the same manner as this bond.

The principal, in order to more fully secure the United States in the payment of the aforesaid sum, hereby pledges as security therefore United States negotiable securities of a par value equal to the amount specified. The principal, pursuant to the authority conferred by Section 1 of the Act of September 13, 1982 (31 U.S.C. 9303), does hereby constitute and appoint the Secretary of the Interior to act as his attorney. The interest accruing on the United States securities deposited, in the absence of any default in the performance of any of the conditions, or stipulations set forth in this bond and the instrument(s) granting rights and interests in Federal lands, must be paid to the principal. The principal hereby for himself/herself, any heirs, executors, administrators, successors, and assigns, joint and severally, ratifies and confirms whatever the Secretary shall do by virtue of these presents.

The principal/surety shall apply this bond or the Secretary shall transfer this deposit as security for the faithful performance of any and all of the conditions and stipulations as set forth in this bond and the instruments granting rights and interests in Federal lands. In the case of any default in the performance of the conditions and stipulations of such undertaking, it is agreed that: (1) for a Surety Bond, the surety/principal shall apply the bond or any portion thereof; (2) for a Personal Bond, the Secretary shall have full power to assign, appropriate, apply or transfer the deposit or any portion thereof, to the satisfaction of any damages, assessments, late payment charges, penalties, or deficiencies arising by reason of such default.

This bond is required for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas and geothermal deposits to the United States; (3) any leasee, permittee, or contractor, under a lease, permit, or resource sale contract issued, or to be issued, by the United States covering the same land subject to this bond, covering the use of the surface or the prospecting for, or the development of other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves and each of our heirs, executors, administrators, successors, and assigns, jointly and severally.

This bond shall cover all surface disturbing activities related to drilling operations on a Federal leasehold(s) in accordance with authorization(s) granted under the Acts cited above for:

CHECK ONE:

- NATIONWIDE BOND - Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s) in the United States including the National Petroleum Reserve in Alaska (NPR-A) when a rider sufficient to bring the amount in conformance with 43 CFR 3134 is provided, and provided a rider is obtained, also coverage of multiple exploration operations.
 - STATEWIDE BOND - Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s), except the NPR-A, and, provided a rider is obtained, also coverage of multiple exploration operations within the single state of _____.
 - INDIVIDUAL BOND - Operations conducted by or on behalf of the principal or on the leasehold of the principal on the single lease identified by the serial number above.
- NATIONAL PETROLEUM RESERVE IN ALASKA (NPR-A) BOND - This bond shall cover:
- NPR-A LEASE BOND - The terms and conditions of a single lease.
 - NPR-A WIDE BOND - The terms and conditions of all leases, and provided a rider is obtained, coverage of multiple exploration operations.

(Continued on reverse)

H-3104-1 - BONDS

Oil and Gas or Geothermal Lease Bond, Form 3000-4

BOND CONDITIONS

The conditions of the foregoing obligations are such that:

- 1. WHEREAS the principal has an interest in a lease(s) and/or responsibility for operations on a lease(s) issued under the Acts cited in this bond; and
- 2. WHEREAS the principal and surety agree(s) that with notice to the surety the coverage of this bond, in addition to the present holding(s) of and/or authorization(s) granted to the principal, shall extend to and include:
 - a. Any lease(s) hereafter issued to or acquired by the obligor/principal, except under individual lease bonds, the coverage is to be confined to the principal's holding(s) and/or authorization(s) granted under the Acts cited in this bond, and to become effective immediately upon such authorization, approval or issuance of a transfer in favor of the principal; and
 - b. Any transfer(s) of operating rights hereafter entered into or acquired by the principal affecting lease(s); and
 - c. Any activity subsequent hereto of the principal as operator under a lease(s) issued pursuant to the Acts cited in this bond; and

Provided, That the surety may elect to terminate the additional coverage authorized under this paragraph. Such termination will become effective 30 days after the BLM receives notice of the election to terminate. After the termination becomes effective, the additional interest(s) identified in this paragraph will not be covered by this bond; and

- 3. WHEREAS the principal and surety agree(s) that with notice to the surety that this bond shall remain in full force and effect notwithstanding: Any assignment(s) of an undivided interest in any part or all of the lands in the lease(s) in which event the assignee(s) shall be considered to be coprincipal(s) on an individual or NPR-A bond as fully and to the same extent as though his/her or their duly, authenticated signatures appeared thereon; and
- 4. WHEREAS the obligor/surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:
 - a. Any assignment(s) of 100% of some of the lands described in the lease(s), the bond to remain in full force and effect only as to the lands retained in the lease(s); and
 - b. Any transfer(s) either in whole or in part, of any or all of the operating rights and further agrees to remain bound under this bond as to the interests in the operating rights retained by the principal; and
 - c. Any modification of a lease or operating right, or obligation thereunder, whether made or effected by commitment of lease or operating right to unit, cooperative, communitization or storage agreements, or development contracts, suspensions of oper-

ations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and

- d. Any extension of a lease(s) covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease(s); and
- 5. WHEREAS the principal and surety hereby agree(s) that notwithstanding the termination, expiration, cancellation or relinquishment of any lease(s), whether by operation of law or otherwise, the bond shall remain in full force and effect as to the terms and conditions of all remaining leases and obligations covered by the bond; and
- 6. WHEREAS the principal, as to any lease or part of a lease for land on which he/she is the operator, in consideration of being permitted to furnish this bond in lieu of the lessee(s) or operating rights owner(s), agrees and by these presents does hereby bind himself/herself to fulfill on behalf of each lessee or operating rights owner all obligations of such for the entire leasehold in the same manner and to the same extent as though he/she were lessee or operating rights owner; and

7. WHEREAS the obligor/principal and surety agree(s) that the neglect or forbearance of said lessor in enforcing, as against any responsible party, the payment of rentals or royalties or the performance of any other term or condition of the lease(s) shall not, in any way, release the principal and surety, or either of them from any liability under this bond; and

8. WHEREAS the principal and surety agree(s) that in the event of any default under the lease(s) the lessor may commence and prosecute any claim, suit, or other proceeding against the principal and surety or either of them, without the necessity of joining the lessee(s); and

9. WHEREAS if the principal fails to comply with any provisions of an oil and gas lease, and the noncompliance continues for thirty (30) days after written notice thereof, such lease shall be subject to cancellation and the principal shall also be subject to applicable provisions and penalties of the Federal Oil and Gas Royalty Management Act (30 U.S.C. 1701 et seq.) or the Federal Onshore Oil and Gas Leasing Reform Act. This provision shall not be construed to prevent the exercise by the United States of any other legal and equitable remedy, including waiver of the default.

10. NOW, THEREFORE If said principal, his/her heirs, executors, administrators, successors, or assigns shall in all respects faithfully comply with all of the provisions of the instrument(s) granting rights and interests in Federal lands referred to above, then the obligations are to be void; otherwise to remain in full force and effect.

Signed this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

_____	_____ (L.S.)
	(Principal)
_____	_____
	(Business Address)
_____	_____ (L.S.)
	(Surety)
_____	_____
	(Business Address)

If this bond is executed by a corporation, it must bear the seal of that corporation.

H-3104-1 - BONDS

Oil and Gas or Geothermal Exploration Bond, Form 3000-4a

Form 3000-4a
(June 1988)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bond Number

OIL AND GAS OR GEOTHERMAL EXPLORATION BOND

Act of February 25, 1920 (30 U.S.C. 181 et seq.)
Act of August 7, 1947 (30 U.S.C. 351-359)
Department of the Interior Appropriations Act, FY 1981 (42 U.S.C. 6508)
Act of December 24, 1970 (30 U.S.C. 1001-1025)
Other Oil and Gas and Geothermal Leasing Authorities as Applicable

CHECK ONE: OIL AND GAS EXPLORATION GEOTHERMAL RESOURCES EXPLORATION

CHECK ONE:
 SURETY BOND

KNOW ALL BY THESE PRESENTS, THAT _____ (name)
of _____ (address)
as principal, and _____ (name)
of _____ (address), as surety,
are held and firmly bound unto the United States of America in the sum of _____
dollars (\$ _____),
lawful money of the United States, which may be increased or decreased by a rider hereto executed in the same manner as this bond.

PERSONAL BOND

KNOW ALL BY THESE PRESENTS, That _____ (name)
of _____ (address), as principal, is held and firmly
bound unto the United States of America in the sum of _____
dollars (\$ _____), lawful money of the United States which sum may be
increased or decreased by a rider hereto executed in the same manner as this bond.

The principal, in order to more fully assure the United States in the payment of the aforesaid sum, hereby pledges as security therefore United States negotiable securities of a par value equal to the amount specified. The principal, pursuant to the authority conferred by Section 1 of the Act of September 13, 1982 (31 U.S.C. 9303), does hereby constitute and appoint the Secretary of the Interior to act as his attorney. The interest accruing on the United States securities deposited, in the absence of any default in the performance of any of the conditions, or stipulations set forth in this bond and the instrument(s) authorizing exploration activities on Federal lands, must be paid to the principal. The principal hereby for himself/ herself, any heirs, executors, administrators, successors, and assigns, joint and severally, ratifies and confirms whatever the Secretary shall do by virtue of these presents.

The principal/surety shall apply this bond or the Secretary shall transfer this deposit as security for the faithful performance of any and all of the conditions as set forth in this bond and the instruments authorizing exploration activities on Federal lands. In the case of any default in the performance of the conditions and stipulations of such undertaking, it is agreed that: (1) for a Surety Bond, the surety/principal shall apply the bond or any portion thereof; (2) for a Personal Bond, the Secretary shall have full power to assign, appropriate, apply or transfer the deposit or any portion thereof, to the satisfaction of any damages, assessments, late payment charges, penalties, or deficiencies arising by reason of such default.

This bond is required for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, upon which exploration operations will be conducted, who has a statutory right to compensation in connection with a reservation of the oil and gas and geothermal deposits in the United States; and (3) any lessee, permittee, or contractor, under a lease, permit, or resource sale contract issued, or to be issued, by the United States covering the same land subject to this bond, on which geophysical exploration operations will be conducted, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves and each of our heirs, executors, administrators, successors, and assigns, jointly and severally.

CHECK ONE:
 This bond shall cover all exploration operations conducted in the United States by or on behalf of the principal on Federal surface administered by the Bureau of Land Management (BLM) and on all Federal leases regardless of surface ownership (except those within the National Forest System), including the National Petroleum Reserve in Alaska (NPR-A) provided a rider is obtained.
 This bond shall cover all exploration operations conducted by or on behalf of the principal on Federal surface administered by BLM and on all Federal leases regardless of surface ownership (except those within the National Forest System) within the single State of _____.
 This bond shall cover a single exploration operation conducted by or on behalf of the principal on Federal surface administered by BLM and on all Federal leases regardless of surface ownership (except those within the National Forest System) as set forth on reverse.

(Continued on reverse)

H-3104-1 - BONDS

Oil and Gas or Geothermal Exploration Bond, Form 3000-4a

LEGAL DESCRIPTION:

BOND CONDITIONS

The conditions of the foregoing obligations are such that:

WHEREAS the principal has a responsibility for an exploration operation(s) to be conducted on Federal surface or on a Federal lease(s), and administered by BLM; and

WHEREAS the principal has filed a Notice of Intent to Conduct Exploration Operations or a geophysical exploration permit with the authorized officer wherein the operations are to be conducted; and

WHEREAS the principal is obligated to comply with the terms and conditions set forth in such Notice of Intent or geophysical exploration permit; and

WHEREAS the principal and surety hereby agree(s) that notwithstanding the termination of any exploration operation(s) covered by this bond, the bond shall remain in full force and effect as to the terms and conditions of all remaining exploration operations conducted on Federal surface or on a Federal lease(s), and administered by BLM.

NOW, THEREFORE If said principal shall in all respects faithfully comply with all of the terms and conditions of the Notice of Intent or geophysical exploration permit and such other corrective measures to reclaim the land as may be required by the Authorized Officer, the surety shall incur no liability but, if the principal should fail to do so, the surety shall be liable to the extent provided in this bond.

Signed this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

(Principal)

(Business Address)

(Surety)

(Business Address)

If this bond is executed by a corporation, it must bear the seal of that corporation.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

Dear Requestor:

In response to your request for information regarding bonds on Federal oil and gas leases, enclosed is the current bond Form 3000-4 and an information sheet on negotiable Treasury securities, letters of credit, and certificates of deposit. A copy of a sample letter of credit and the current regulations regarding Federal oil and gas lease bonding requirements also are enclosed.

Oil and gas lease operations may be performed under a \$10,000 individual lease bond, a \$25,000 statewide bond, or a \$150,000 nationwide bond.

Bonds may be furnished by one of the following methods:

1. A corporate surety bond issued by a qualified surety company which has been approved by the Department of the Treasury;
2. A personal bond accompanied by either a:
 - a. Certificate of deposit issued by a financial institution whose deposits are federally insured;
 - b. Irrevocable letter of credit issued by a financial institution whose deposits are federally insured;Cashier's check or certified check.
- d. Negotiable Treasury securities (U.S. Department of the Treasury bonds, notes, or bills).

If you need further information, you may contact (Name and Phone Number) for further information.

Sincerely

Authorized Officer

Attachments

Bond Form 3000-4
Information Sheet
Sample Letter of Credit
Regulations (43 CFR Subpart 3104)

BLM Bond No.: _____
Surety Bond No.: _____

RIDER

In consideration for the payment of any additional premium charged for this rider and the acceptance of this rider by the Bureau of Land Management on behalf of the United States of America, the undersigned principal and surety hereby extend the coverage of Bond No. _____, to all of the leases where the principal is the operator, regardless of whether the principal owns an interest in those leases. The principal hereby agrees to be bound by all the terms and conditions of any lease wherein the principal is the operator until all the terms and conditions of the lease have been satisfied, including the payment of any rentals and royalties (including interest, penalties, and assessments) due; provided, however, that this rider shall not act to increase the actual cumulative or potential liability of the surety above the face amount of the bond, _____ Dollars (\$ _____); provided, further, however, that any limitation of liability on the part of the surety shall not apply to the principal who shall be liable to the same extent as the lessees.

Executed this _____ day of _____, 19

Witness and Address

Principal and Title

Witness and Address

Surety

Illustration 5
(I.F)

BLM Bond No.: _____
Surety Bond Number: _____
Lease Serial Number: _____

RIDER

This rider is being submitted to comply with 43 CFR 3104.2 which states, ". . . The operator on the ground shall be covered by a bond in his/her own name as principal, or a bond in the name of the lessee or sublessee, provided that a consent of the surety, or the obligor in the case of a personal bond, to include the operator under the coverage of the bond is furnished to the Bureau office maintaining the bond."

The principal and surety (or principal/obligor, if a personal bond) hereby agree to extend the coverage of the bond referenced above to include liabilities for operations conducted by (parties other than the principal, or a specifically-named party) on (all leases in which the principal holds record title or operating rights interests, or a specific lease numbered () in which the principal holds record title or operating rights interest).

Coverage includes the performance of all lease obligations, both past and future, including the responsibility to properly plug and abandon any and all wells, including related surface reclamation, and to pay any outstanding rentals or royalties (including interest, penalties, and assessments) due.

This coverage of lease operations shall continue whether or not the lease subsequently expires, terminates, is cancelled, or relinquished; provided, however, that this rider shall not act to increase the actual cumulative or potential liability of the surety above the face amount of the bond.

Executed this _____ day of _____, 19__

Witness Name and Address

Principal and Title

Witness Name and Address

Address

Surety

Address

ILLUS. 6

CERTIFICATE OF AUTHORITY NO. 13696

GENERAL POWER OF ATTORNEY
CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That PLANET INDEMNITY COMPANY, a corporation organized and existing under the laws of the State of Colorado, and having its principal office in the City of Denver, Colorado does hereby constitute and appoint:

MILDRED L. MASSEY

its true and lawful attorney-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, in an amount not to exceed:

*******FIFTY THOUSAND AND NO/100 DOLLARS*******

and the execution of all such instrument(s) in pursuance of these presents, shall be binding upon said PLANET INDEMNITY COMPANY as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be certified to and may be revoked, pursuant to and by authority of Article V, Section 6(C) of the By-Laws adopted by the Board of Directors of PLANET INDEMNITY COMPANY, at a meeting called and held on this third day of March, 1987, of which the following is a true transcript of said Section 6(C):

- "The President or any Vice President, Assistant Vice President, Secretary or Resident Secretary shall have power and authority
- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and
 - (2) to appoint special Attorneys-in-fact, who are hereby authorized to certify to copies of any power-of-attorney issued in pursuance of this section and/or any of the By-laws of the Company, and
 - (3) to remove, at any time, any such Attorney-in-fact or Special Attorney-in-fact and revoke the authority given to him."

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the third day of March, 1987, of which the following is a true excerpt:

"Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seals shall be valid and binding upon the Company and any such power so executed and certified by facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN TESTIMONY WHEREOF, PLANET INDEMNITY COMPANY has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, E. H. Frank, III, on this the twenty eighth day of August, 1991.



E. H. Frank, III
President
RECEIVED
AUG 28 AM 9:00
OFFICE OF THE SECRETARY OF STATE
DENVER, COLORADO

STATE OF COLORADO
COUNTY OF DENVER

On this 28th Day of August, 1991, before me came the individual who executed the preceding instrument, to me personally known, and, being duly sworn, said that he is the therein described and authorized officer of PLANET INDEMNITY COMPANY; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal, at the city of Denver, Colorado, the day and year first above written.



Vincent J. Brenowitz
Notary Public, Denver County, Colorado

CERTIFICATION

I, the undersigned officer of PLANET INDEMNITY COMPANY, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 12th day of January, 1993

This dated into and the bond on or a rider must be the same



Pat Doehring
Assistant Secretary
Pat Doehring

Only a certified copy of Power of Attorney bearing the Certificate of Authority No. printed in red on the upper right corner is binding. Photocopies, carbon copies or other reproductions of this document are invalid and not binding upon the Company.

ANY INSTRUMENT ISSUED IN EXCESS OF THE PENALTY AMOUNT STATED ABOVE IS TOTALLY VOID AND WITHOUT VALIDITY.

Illustration 7
(II.C.7)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Principal:

Lease Serial No.:

Bond Amount:

Surety:

Bond Number:

Execution Date:

Individual Lease Surety Bond Accepted

The bond described above has been examined and found satisfactory.
Therefore, it is accepted effective (Date) . The bond covers
operations conducted by or on behalf of the principal on lease
(Serial Number).

Authorized Officer

Distribution:

Principal
Surety (c/o Attorney-in-fact)
Field Office Operations
Lease Case File

BLM Bond No. :
Surety Bond No.

RIDER

In consideration for the payment of any additional premium charged for this rider and the acceptance of this rider by the Bureau of Land Management on behalf of the United States of America, the undersigned principal and surety hereby extend the coverage of Bond No. _____, to all of the principal's holdings of Federal oil and gas leases under the Mineral Leasing Act of February 25, 1920, and the Mineral Leasing Act for Acquired Lands of August 7, 1947, and other oil and gas leasing authorities as applicable, for the States listed in Schedule A of the original bond, or as added thereto by riders, or, in the event this bond is in the amount of \$150,000 or more, for all of the United States, including Alaska (except the National Petroleum Reserve in Alaska (NPR-A) unless a rider sufficient to bring the amount in conformance with 43 CFR 3134 has been provided); provided, however, that this rider shall not act to increase the actual cumulative or potential liability of the surety above the face amount of the bond, to wit:

_____ Dollars (\$_____)

Executed this _____ day of _____, 19__

Witness and Address

Principal and Title

Witness and Address

Surety

BLM Bond No. :
Surety Bond No.

RIDER

In consideration for the payment of any additional premium charged for this rider and the acceptance of this rider by the Bureau of Land Management on behalf of the United States of America, the undersigned principal and surety hereby extend the coverage of Bond No. _____, to all of the principal's holdings of Federal oil and gas leases under the Mineral Leasing Act of February 25, 1920, and the Mineral Leasing Act for Acquired Lands of August 7, 1947, and other oil and gas leasing authorities as applicable, for the States listed in Schedule A of the original bond, or as added thereto by riders, or, in the event this bond is in the amount of \$150,000 or more, for all of the United States, including Alaska (except the National Petroleum Reserve in Alaska (NPR-A) unless a rider sufficient to bring the amount in conformance with 43 CFR 3134 has been provided); provided, however, that this rider shall not act to increase the actual cumulative or potential liability of the surety above the face amount of the bond, to wit:

_____ Dollars (\$_____)

Executed this _____ day of _____, 19__

Witness and Address

Principal and Title

Witness and Address

Surety

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

DECISION

Principal:	Smith Petroleum Corp. 123 Main Street Anytown, NY 12345	Surety Bond Number: AB12345
		Bond Amount: _____
Surety:	XYZ Insurance Company 579 Jones Street Anytown, NY 10005	Execution Date:

\$150,000 Nationwide Oil and Gas Bond and Rider Accepted

The bond described above was filed in this office (Date). A rider was also received on the same date adding the following limited partnerships, with Smith Petroleum Corp. as the General Partner, as co-principals on the subject bond:

- Smith 1981-B Income Royalty, Ltd.
- Smith 1982-A Income Royalty, Ltd.
- Smith 1982-B Income Royalty, Ltd.
- Smith 1983-A Income, Ltd.
- Smith 1983-B Income, Ltd.
- Smith 1983-C Income, Ltd.
- Smith 1983-D Income, Ltd.
- Smith 1983-E Income, Ltd.
- Smith Operating Company, L.P.

The rider to the bond states that Smith Petroleum Corp. is solely liable and responsible for the operations and obligations of the above referenced limited partnerships.

The bond will be maintained by this office. The bond constitutes coverage of all operations conducted by or on behalf of the principals on all Federal leases except those in the National Petroleum Reserve in Alaska (NPR-A). The bond provides coverage of the principal where the cited co-principals have an interest in, and/or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Federal leases do not include Indian leases.

The bond and rider have been examined, found to be satisfactory, and are accepted as of (Date).

We specifically call your attention to the fact that this bond now provides coverage for all the co-principals, either jointly or individually, as long as the ownership relationships remain the same.

Authorized Officer

Distribution:
Principals
Surety (c/o Attorney-in-fact)
BLM Field Office Operations

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Memorandum

To: State Director, (Fluid Minerals Adjudication Code)
From: Authorized Officer (Fluid Minerals Adjudication Code)
Subject: (Type) Oil and Gas Bond, (Principal)

The attached oil and gas bond (or rider) was filed in our office on
(Date).

bond covers only the State of (Name) and, therefore, is
forwarded to your office for acceptance

OR

This bond (or rider) covers the States of (Name) and is maintained in
office. Therefore, it is forwarded to your office for acceptance.

Attachment
Original Bond

Distribution:
Surety (c/o Attorney-in-fact)
Principal
Appropriate State Office

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Memorandum

To: State Director, (Fluid Minerals Adjudication Code)
From: Authorized Officer (Fluid Minerals Adjudication Code)
Subject: (Type) Oil and Gas Bond, (Principal)

The attached oil and gas bond (or rider) was filed in our office on
(Date).

bond covers only the State of (Name) and, therefore, is
forwarded to your office for acceptance

OR

This bond (or rider) covers the States of (Name) and is maintained in
office. Therefore, it is forwarded to your office for acceptance.

Attachment
Original Bond

Distribution:
Surety (c/o Attorney-in-fact)
Principal
Appropriate State Office

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

DECISION

Principal: Surety Bond Number
Bond Amount
Execution Date:
Surety:

Statewide/Nationwide Oil and Gas Surety Bond Accepted

The bond described above has been examined and found satisfactory. It is accepted effective (Date).

The bond constitutes coverage of all operations conducted by or on behalf of the principal on *Federal leases in the State of (Name). The bond provides coverage of the principal where that principal has interest in, and/or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Federal leases do not include Indian leases.

The bond will be maintained by this office. Termination of liability under the bond will be permitted only after this office is satisfied that there is no outstanding liability on the bond or satisfactory replacement bonding coverage is furnished.

Authorized Officer

Distribution:
Principal
Surety (c/o Attorney-in-fact)

*NOTE: If a nationwide bond, replace wording with *all Federal leases except those in the National Petroleum Reserve in Alaska (NPR-A)

BLM Bond No.: _____
Surety Bond No _____

RIDER

In consideration for any additional premium charged for this rider and the acceptance of this rider by the Bureau of Land Management on behalf of the United States of America, the undersigned principal and surety hereby extend the coverage of the bond to include all obligations of the principal under the (Name) Unit Agreement No. (Serial No.) and all the obligations of the lessees of the Federal oil and gas leases committed to such unit agreement. The principal and surety agree to remain bound for the failure to comply with any terms and conditions of the unit agreement and the leases now or hereafter committed thereto, including but not limited to the payment of rentals and royalties (including interest, penalties, and assessments) due, and the obligation to plug and abandon properly all wells drilled on such leases under the unit agreement. Provided, however, that termination or contraction of the unit agreement shall not cause any diminution of the principal's or surety's obligation with respect to lease obligations incurred during the existence of such unit agreement; and provided, however, that this rider shall not increase the cumulative or potential liability of the surety above the face amount of the bond as herein stated or later increased; and provided, however, that any such limitation on the part of the surety shall not apply to the principal's obligations to comply with the terms and conditions of all leases committed to the unit agreement, either presently or hereafter.

Executed the _____ day of _____, 19.

Witness and Address

Principal and Title

Witness and Address

Address

Witness and Address

Surety

Witness and Address

Address

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Principal:

Surety Bond Number:

Bond Amount:

*Surety

Execution Date:

Unit Name:

Unit Bond Accepted

The bond described above has been examined and found satisfactory, and is accepted effective (Date) .

The coverage of the bond extends to all operations of the principal, as unit operator, on Federal leases committed to the unit named above. As long as the BLM authorized officer determines that the amount of the bond is adequate to cover the unit operations, individual or statewide or nationwide bonds from the working interest owners of particular leases committed to the unit will not be necessary for unit operations.

The bond will be maintained by this office. Termination of liability under the bond will be permitted only after this office is satisfied that there is no outstanding liability on the bond or satisfactory replacement bonding coverage is furnished.

Authorized Officer

Distribution:

Principal
Surety (c/o Attorney-in-fact)
Field Office Operations

*NOTE: Although the above format is for a surety bond, this decision format also may be used for a unit operator submitting a personal unit bond secured by guaranteed remittances, a letter of credit, certificate of deposit, or negotiable Treasury securities. The acceptance of the personal unit bond should be similar in format to Illustration 29, with the language of the second paragraph, above, replacing the coverage provisions shown in Illustration 29.

IRREVOCABLE LETTER OF CREDIT

No.: (filled in by bank)

Issuing Financial
Institution :
Address :
City, State, Zip Code :
Telephone No. :

Date Filed: (completed by BLM)

Date Issued

Gentlemen:

On behalf of (Name and address of the party requesting a financial institution to issue the Letter of Credit), as Obligor, we (Name of Financial Institution, hereafter referred to as "bank"), establish an irrevocable Letter of Credit in favor of the Bureau of Land Management (BLM) and agree to pay upon demand by and to the Department of the Interior-Bureau of Land Management (BLM), up to an aggregate amount of (Amount written out) Dollars (\$ in figures), upon receipt of a written demand therefor by an authorized officer of the BLM retaining the personal bond of the Obligor whose bond this Letter of Credit serves as security pursuant to 43 CFR Section 3104.1.

This Letter of Credit is effective (Date), and will expire (Date) at (specify either the close of business or midnight of a particular day), whichever is the acceptable practice of the bank). (Date, which must be at least 1 year from the effective date or the date the Letter of Credit is filed with BLM, whichever is later); however, this credit will automatically be extended for periods of (1 year or such longer periods as may be determined by the bank) from any such scheduled expiration date, as originally scheduled or as automatically extended by this provision, unless 90 days prior to such date, we notify the BLM office originally accepting this Letter of Credit, by Certified Mail--Return Receipt Requested, that we elect to not renew this Letter for such additional period.

Upon receipt by the BLM of such a notice from us not to renew this Letter, BLM may draw on us at sight for up to the amount of this Letter of Credit, prior to the expiration thereof, provided that such draft is accompanied by a statement signed by the BLM to the effect that no satisfactory replacement bond has been provided by the Obligor prior to 30 days before this Letter of Credit expires, pursuant to 43 CFR 3104.1(c) (5) (ii).

It is also understood that, at any time this Letter of Credit is in effect, the BLM may draw on this Letter of Credit for any amount, up to the full amount of this Letter, to cover any default in obligations covered by the bond, including but not limited to, rentals, royalties, and appropriate reclamation of lands associated with development of oil and gas in any Federal lease(s) to which the bond applies. Such drawing shall be accompanied by a statement signed by the BLM to the effect that the Obligor has been determined to be in default and the amount drawn represents the reasonable amount, as determined by BLM, of such default.

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, provided that no drawing on such Letter was made prior to such 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. In the event that we, the bank, become unable to fulfill our obligations under this Letter of Credit for any reason, notice shall be given immediately to the Obligor and the BLM.

We acknowledge that we have received a copy of the personal bond secured by this Letter of Credit which the Obligor will file with the BLM. We understand that this Letter of Credit may be used, until it expires as a result of notice we give to the BLM, for all matters to which the bond applies. We also certify that the deposits of this bank are federally insured by (Specify the plan, e.g., FDIC).

ATTEST:
Title:

NAME OF FINANCIAL INSTITUTION

BY:
(Type in Name and Title of Officer)

NOTE: The Letter of Credit should bear the seal of the issuing bank if not executed on bank letterhead. The bank may complete an acknowledgement appropriate for the State in which the Letter of Credit is issued, but such an acknowledgement is **not** required by the BLM.

BLM Bond No.
WY2463 (923k)

JUN 13 1991

Steele
6/11

DECISION

Obligor:	Cockrell Oil Corporation)	
	1600 Smith Street, Suite 4600)	
	Houston, TX 77002)	
)	Oil & Gas Bond
Financial Institution:	Bank One, Texas N.A.)	
	910 Travis)	
	Houston, TX 77002)	

Statewide Personal Bond and Letter of Credit Accepted

On May 20, 1991, we received \$25,000 Irrevocable Letter of Credit (LOC) No. 12698 issued by the financial institution named above to secure a statewide personal bond for the above obligor. The bond and letter of credit have been examined and found acceptable; therefore, the bond is accepted effective May 20, 1991.

The pledge for the bond is a LOC written by the financial institution named above. The document will be retained by the BLM until all terms and conditions of the lease have been fulfilled or until a satisfactory replacement bond has been accepted, at which time the LOC will be returned to the financial institution.

The LOC will continue indefinitely in the absence of notice from the financial institution of a determination not to renew it; such a notice must be received in this office at least 90 days prior to the original expiration date of May 15, 1992, or the automatic extension dates falling on the same day in subsequent years. A copy of such notice should also be provided to the obligor, who would then be responsible for providing a replacement security to the BLM. Unless the obligor provides a satisfactory replacement bond at least 30 days prior to the then fixed expiration date, BLM will demand that the financial institution pay the full amount of the credit to ensure continuing bond coverage of the obligor. Any such funds thus obtained will be retained, so long as none are required to correct defaults, until the bond is no longer required or until replacement bond coverage is accepted by the BLM.

Because LOC No 12698 states that the credit will not automatically extend beyond May 15, 1996, the financial institution will be expected to notify this office 90 days prior to that date, that is, no later than February 15, 1996, as to whether or not it will extend the LOC for additional time periods beyond May 15, 1996. As discussed in the preceding paragraph, if the financial institution elects not to renew the LOC, the obligor must furnish a replacement security no later than April 15, 1996, or the bank must pay the full amount of the LOC to BLM.

Illus. 15, Pg 2

BLM Bond No.
WY2463 (923k)
Page 2

The statewide bond will be maintained by this office and should be referenced in all correspondence as BLM Bond No. WY2463. The bond constitutes coverage of all operations, including unit operations, conducted by or on behalf of the obligor on Federal leases in the State of Wyoming. The bond provides coverage of the obligor where that obligor has interest in, and/or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Please note that federal leases do not include Indian leases.

/s/ BEVERLY J. POTEET

Beverly J. Poteet
Supervisory Land Law Examiner

cc:

Negotiable Securities Custodian, (S. Tokarczyk, SC-615)

TSTEVENS:6/11/91:0232n, pp. 1 & 2

ZIONS
FIRST NATIONAL BANK
ESTABLISHED 1873

June 15, 1973

INTERNATIONAL BANKING DEPARTMENT

P.O. Box 30709
Salt Lake City, Utah 84130 U.S.A.

Telephone: 801/524-4916
Telex: 3789475 Answerback: INTBKZIONS SLC
Swift Code: ZFNBUS55

IRREVOCABLE LETTER OF CREDIT

BLM
CHIEF MINERALS ADJUDICATION SECTION
324 SOUTH STATE STREET
SUITE 301
SALT LAKE CITY, UTAH 84111-2303

DATE: *June 15 1973*

LETTER OF CREDIT NO.: **Nº 004483**

Gentlemen:

We hereby establish our *Irrevocable Letter of Credit* in your favor for the account of
GARY MOON DBA COYOTE OIL, 3376 SOUTH VERNAL AVENUE, VERNAL, UTAH 84078

up to the aggregate amount of **USD10,000.00**

available by your draft(s) drawn at **SIGHT**

on Zions First National Bank, Salt Lake City, Utah accompanied by:

A SIGNED STATEMENT CERTIFYING THAT GARY MOON DBA COYOTE OIL HAS FAILED TO PERFORM AS
AGREED UNDER THE OIL AND GAS GEOTHERMAL LEASE SERIAL NUMBER V-58226.

NOT Acceptable



We hereby agree with drawers, endorsers and bona fide holders that all drafts drawn under and in compliance with the terms of this credit will be duly honored upon presentation and delivery of documents as specified to the drawee if drawn and presented for negotiation on or before **RECALL DATE** at our bank.

The Amount and Date of Each Negotiation Must Be Endorsed on the Back Hereof by the Negotiating Bank.
This Credit is Subject to the Uniform Customs and Practice for Documentary Credits

[Signature]
Very Truly Yours,

LCUS. 15, pg 5

**ZIONS
FIRST NATIONAL BANK**

ESTABLISHED 1873

INTERNATIONAL BANKING DEPARTMENT

P.O. Box 30709
Salt Lake City, Utah 84130 U.S.A.

Telephone: 801/524-4916
Telex: 3789475 Answerback: INTBKZIONS SLC
Swift Code: ZFNBUS55

IRREVOCABLE LETTER OF CREDIT

BLM
CHIEF MINERALS ADJUDICATION SECTION
324 SOUTH STATE STREET
SUITE 301
SALT LAKE CITY, UTAH 84111-2303

DATE: OCTOBER '09, 1990

LETTER OF CREDIT NO. **Nº 004537**

Gentlemen:

We hereby establish our *Irrevocable Letter of Credit* in your favor for the account of
GARY MOON DBA COYOTE OIL, 3376 SOUTH VERNAL AVENUE, VERNAL, UTAH 840

RECEIVED
UTAH STATE OFFICE
90 OCT 15 AM 11:01
DEPT OF INTERIOR
BUR. OF LAND MGMT

up to the aggregate amount of **USD10,000.00**
available by your draft(s) drawn at **SIGHT**

on Zions First National Bank, Salt Lake City, Utah accompanied by

A STATEMENT SIGNED BY AN AUTHORIZED OFFICER OF THE BLM TO THE EFFECT THAT GARY MOON DBA COYOTE OIL HAS BEEN DETERMINED TO BE IN DEFAULT AND THE AMOUNT DRAWN REPRESENTS THE REASONABLE AMOUNT AS DETERMINED BY BLM OF SUCH DEFAULT.

THIS CREDIT WILL AUTOMATICALLY BE EXTENDED FOR PERIODS OF ONE YEAR FROM SCHEDULED EXPIRATION DATE, AS ORIGINALLY SCHEDULED OR AS AUTOMATICALLY EXTENDED BY THIS PROVISION, UNLESS 90 DAYS PRIOR TO SUCH DATE, WE NOTIFY THE BLM OFFICE ORIGINALLY ACCEPTING THIS LETTER BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED, THAT WE ELECT NOT TO RENEW THIS LETTER FOR SUCH ADDITIONAL PERIOD.

UPON RECEIPT BY THE BLM OF SUCH A NOTICE FROM US NOT TO RENEW THIS LETTER, BLM MAY DRAW ON US AT SIGHT FOR UP TO THE AMOUNT OF THIS LETTER OF CREDIT, PRIOR TO THE EXPIRATION THEREOF, PROVIDED THAT SUCH DRAFT IS ACCOMPANIED BY A STATEMENT SIGNED BY AN AUTHORIZED OFFICER OF THE BLM TO THE EFFECT THAT NO SATISFACTORY REPLACEMENT BOND HAS BEEN PROVIDED BY GARY MOON DBA COYOTE OIL PRIOR TO 30 DAYS BEFORE THIS LETTER OF CREDIT EXPIRES, PURSUANT TO 43 CFR 3104.1(c)(5)(ii).

* * * * *

Acceptable

We hereby agree with drawers, endorsers and bona fide holders that all drafts drawn under and in compliance with the terms of this credit will be duly honored upon presentation and delivery of documents as specified to the drawee if drawn and presented for negotiation on or before **OCTOBER 01, 1991*** at our bank.

*OR ANY AUTOMATICALLY EXTENDED DATE, AS HEREINBEFORE SET FORTH

The Amount and Date of Each Negotiation Must Be Endorsed on the Back Hereof by the Negotiating Bank.
*This Credit is Subject to the Uniform Customs and Practice for Documentary Credits, 1993 Edition, published by International Chamber of Commerce, Inc., 1993.

Very Truly Yours,

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

REGISTERED MAIL--RETURN RECEIPT REQUESTED

DECISION

Obligor:

Oil and Gas Bond

Financial Institution:

Letter of Credit

Letter of Credit Returned as Unacceptable

The letter of credit filed in this office by or on behalf of the obligor on (Date), in connection with the effort to (Bond the above-referenced lease) (Provide bond coverage for all leases nationwide, or in the State(s) of (Name)) is hereby returned as unacceptable to the financial institution for the following reason(s):

_____ Insufficient amount; the credit should be in the amount of \$_____ to provide the bond coverage required.

_____ Insufficient proof is provided that the financial institution issuing the letter has federally insured deposits.

The letter of credit is not properly payable to the Department of the Interior-Bureau of Land Management.

The letter of credit was executed prior to June 17, 1988; use of such letters of credit for Federal oil and gas leases was not authorized at the time.

The initial expiration date of the letter of credit is (Date), which is less than 1 year following the filing of the letter of credit; accordingly, the letter is unacceptable (see 43 CFR 3104.1(c)).

The letter of credit fails to provide for automatic renewal of the credit for periods of not less than 1 year in the absence of a receipt by the authorized officer from the financial institution of a timely (90-day) notice of intent not to renew.

The letter allows termination of the credit at its expiration date with less than the 90-day notice required by 43 CFR 3104.1(c)(5).

The letter of credit fails to provide the Bureau of Land Management the right to collect the credit for either default by the obligor or a failure by the obligor to provide replacement bond coverage in the event of a 90-day notice from the financial institution of its intent not to renew the credit.

Other (specify).

If the indicated deficiency(ies) is corrected, this office will process the bond toward acceptance. The original bond will be held for 60 days; if an earlier request for its return is received or if the necessary corrections to the letter of credit have not been furnished by that time, this office will return the original bond to the obligor.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

Authorized Officer

2 Attachments

- 1 - Letter of Credit (To Financial Institution)
- 2 - Form 1842-1

Distribution:

- Obligor
- Financial Institution
- Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Obligor: Lease Serial Number:
Bond Amount:
Financial Institution Execution Date:

Personal Bond and Letter of Credit Accepted for Individual Lease

On (Date), this office received a personal bond and a Letter of Credit (LOC) in the amount of \$10,000 for coverage of all operations conducted by or on behalf of the obligor on lease (Serial No.). The bond and LOC have been examined and found acceptable; therefore, the bond is accepted effective (Date).

The pledge for the bond is a LOC written by the financial institution named above. The document will be retained by the BLM until all terms and conditions of the lease have been fulfilled or until a satisfactory replacement bond has been accepted. The LOC will be returned to the financial institution when this office determines that the bond is no longer required.

The LOC will continue indefinitely in the absence of notice from the financial institution of its determination not to renew the letter. Such a notice must be received in this office at least 90 days prior to the original expiration date of (Date), or the automatic extension dates falling on the same day in subsequent years. A copy of such notice also needs to be provided to the obligor, who would then be responsible for providing a replacement security to the BLM. Unless the obligor provides a satisfactory replacement bond at least 30 days prior to the then fixed expiration date, BLM will demand that the financial institution pay the full amount of the credit to ensure continuing bond coverage of the obligor. Any such funds thus obtained will be retained, as long as none are required to correct defaults, until the bond is no longer required or until replacement bond coverage is accepted by the BLM.

NOTE: Add the following paragraph if the LOC has a drop dead clause:

Because LOC (Number) states that the credit will not automatically extend beyond (Date), the financial institution will be expected to notify this office at least 90 days prior to that date as to whether it will extend the LOC for additional time periods beyond (Date). As indicated in the preceding paragraph, if the financial institution elects to not renew the LOC, the obligor must furnish a replacement security no later than (Date), or the bank must pay the full amount of the LOC to the BLM.

Authorized Officer

Distribution:
Obligor
Financial Institution

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

DECISION

Obligor:

Bond Amount

Financial Institution:

Execution Date

Statewide/Nationwide Personal Bond and Letter of Credit Accepted

On (Date), this office received a personal bond and a Letter of Credit (LOC) in the amount of (\$150,000 for nationwide bond coverage) (\$25,000 for statewide bond coverage in the State of (Name)) for the above obligor. The bond and LOC have been examined and found acceptable; therefore, the bond is accepted effective (Date).

The pledge for the bond is a LOC written by the financial institution named above. The document will be retained by the BLM until all terms and conditions of the lease have been fulfilled or until a satisfactory replacement bond has been accepted. The LOC will be returned to the financial institution when this office determines that the bond is no longer required.

The LOC will continue indefinitely in the absence of notice from the financial institution of its determination not to renew the letter. Such a notice must be received in this office at least 90 days prior to the original expiration date of (Date), or the automatic extension dates falling on the same day in subsequent years. A copy of such notice also needs to be provided to the obligor, who would then be responsible for providing a replacement security with the BLM. Unless the obligor provides a satisfactory replacement bond at least 30 days prior to the then fixed expiration date, BLM will demand that the financial institution pay the full amount of the credit to ensure continuing bond coverage of the obligor. Any such funds thus obtained will be retained, as long as none are required to correct defaults, until the bond is no longer required or until replacement bond coverage is accepted by the BLM.

The bond will be maintained by this office. The bond constitutes coverage of all operations conducted by or on behalf of the obligor on Federal leases (*nationwide, or in the State of (Name)). The bond provides coverage of the obligor where that obligor has interest in, and/or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Please note that Federal leases do not include Indian leases.

NOTE: Add the following paragraph if the LOC has a drop dead clause:

Because LOC (Number) states that the credit will not automatically extend beyond (Date), the financial institution will be expected to notify this office at least 90 days prior to that date as to whether it will extend the LOC for additional time periods beyond (Date). As indicated in the preceeding paragraph, if the financial institution elects to not renew the LOC, the obligor must furnish a replacement security no later than (Date), or the bank must pay the full amount of the LOC to the BLM.

Authorized Officer

Distribution:
Obligor
Financial Institution

*NOTE: If a nationwide bond, replace wording with *all Federal leases except those in the National Petroleum Reserve in Alaska (NPR-A)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

REGISTERED MAIL - RETURN RECEIPT REQUESTED

DECISION

Obligor:

Oil and Gas Bond

Financial Institution:

Replacement Bond Security Required

Effective (Date), this office accepted \$ Irrevocable Letter of Credit No. to secure a personal (lease, statewide, nationwide, etc.) oil and gas bond filed by the above obligor. The acceptance decision stated: "The letter of credit will continue indefinitely in the absence of notice from the financial institution of its determination not to renew the letter. Such a notice must be received by this office at least 90 days prior to the original expiration date of (Date)."

On (Date), we received timely notification from the financial institution named above that it will not renew Letter of Credit No. .

Therefore, you are hereby requested to provide a replacement security in the amount of \$ at least 30 days prior to the letter of credit's original expiration date of (Date), that is, no later than (Date).

In accordance with regulations at 43 CFR 3104.1(5)(ii), if a replacement security is not received in this office on or before (Date), this office will demand that the financial institution named above pay the full amount of Letter of Credit No. to insure continuing coverage of the obligor named above. Such funds will be retained in our suspense account, with no interest accruing to the obligor, until the bond coverage is no longer required or until the obligor furnishes another replacement security.

If there are any questions prior to providing this replacement security, please contact (Name of State Office contact person) at the address shown on the letterhead above, or call (Commercial telephone number).

Authorized Officer

Distribution:

Obligor
Financial Institution
Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Obligor:	DECISION	:
		:
		:
Financial Institution:		:
	Oil and Gas Bond	:
		:
		:
		:

Payment of Irrevocable Letter of Credit Demanded

On (Date), we received timely notification from the financial institution named above that it will not renew Irrevocable Letter of Credit No. _____, which currently secures a personal (lease, statewide, nationwide, etc.) bond for the above obligor. Our decision dated (Date), copy enclosed, requested that the above obligor provide a replacement security for bond coverage in the amount of \$_____ at least 30 days prior to the letter of credit's original expiration date of (Date), that is, no later than (Date). To date, no replacement security for bond coverage has been received.

Therefore, in accordance with regulations at 43 CFR 3104.1(5)(ii), and the terms of the letter of credit, enclosed with this decision is our payment draft and the original Letter of Credit No. _____. By the submission of these documents, BLM hereby demands that the financial institution named above pay the full amount of Letter of Credit No. _____ to this office at the address shown on the letterhead above. The funds will be deposited and retained in our suspense account, with no interest accruing to the obligor, to insure continuing bond coverage of the obligor until this coverage is no longer required or until the obligor furnishes a replacement security.

If there are any questions about this matter, please contact (Name of State Office contact) at the address shown on the above letterhead, or call (Commercial telephone number).

Authorized Officer

Attachment

Distribution:
Obligor
Financial Institution
Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Obligor:

Oil and Gas Bond

Financial Institution:

Demand for Payment of Letter of Credit Rescinded

On (Date), we received \$ Irrevocable Letter of Credit No. , from the financial institution named above, to replace \$ Letter of Credit No. , issued by (Name of Financial Institution) on behalf of the same obligor. Because that letter of credit expired on (Date), this office issued and forwarded an envelope draft, a decision demanding payment under the letter of credit, and the original Letter of Credit No. , to the above financial institution for payment.

We hereby rescind our demand for payment under Letter of Credit No. because of the receipt of an acceptable \$ replacement letter of credit on (Date). We request that you return the original Letter of Credit No. to the obligor, and our demand for payment to this office at the address shown on the letterhead above.

Because the replacement security was received on the expiration date of the original letter of credit, this rescision is being telefaxed to the above financial institution to prevent payment of the \$, with a confirmation copy to follow.

Authorized Officer

Distribution:

Obligor
Financial Institution
Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

DECISION

Obligor

Financial Institution:

Oil and Gas Bond

Substitute Negotiable Security Accepted to Secure
Individual/Statewide/Nationwide Bond

On (Date), we received an (Type of security, LOC, CD, etc.), issued by the financial institution named above. This security is to replace (\$10,000, \$25,000, \$150,000, etc.) (Type of security), issued by the (Name of financial institution) to secure a (lease, statewide, or nationwide) bond for the above obligor. The replacement security has been examined, found satisfactory, and is accepted effective (Date). Therefore, (lease, statewide, or nationwide) bond coverage continues, uninterrupted, for the above obligor. The original security is being returned, enclosed, to (Name of financial institution), for disposition.

The replacement security is (describe the security and insert appropriate language here for that specific type of security, i.e., LOC language from Illustration 17, or CD language from Illustration 25, etc.).

Authorized Officer

Attachment (financial institution only)

Distribution:

Obligor
Financial Institution
Negotiable Securities Custodian (BC-610)
Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

REGISTERED MAIL - RETURN RECEIPT REQUESTED

DECISION

Obligor:

Oil and Gas Bond

Financial Institution:

Certificate of Deposit

Certificate of Deposit Returned as Unacceptable

The certificate of deposit filed in this office by or on behalf of the obligor on (Date), in connection with an effort to bond (Lease serial number) (Provide bond coverage for all leases nationwide, or in the State(s) of (Name)) is hereby returned as unacceptable for the following reasons:

Insufficient amount; the certificate of deposit should be in the amount of \$_____ to provide the bond coverage required.

Insufficient proof was provided that the financial institution issuing the certificate of deposit has federally insured deposits.

The certificate of deposit is not properly payable to the Department of the Interior-BLM.

The certificate of deposit has not been properly assigned so as to be payable to the Department of the Interior-BLM.

Insufficient evidence was provided that the issuing financial institution is aware of the assignment of the certificate to the Department of the Interior-BLM, and has no objection thereto.

The certificate of deposit restricts the indefinite right of the BLM to collect the principal in the event of a default (E.G., by requiring collection of the principal on or before June 1, 19xx). Therefore, the certificate is unacceptable.

The certificate of deposit fails to prevent redemption of the principal amount by the obligor without the consent of the BLM.

Other (specify)

If the indicated deficiency(ies) is corrected, this office will process the bond toward acceptance. We will hold the original bond for 60 days. If an earlier request for return of the bond is received, or if the necessary corrections have not been furnished by that time, we will return the original bond to the obligor.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1)

Authorized Officer

2 Attachments

- 1 - Certificate of Deposit (To Obligor)
- 2 - Form 1842-1

Distribution:

- Obligor
- Financial Institution
- Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Obligor Lease Serial No
Bond Amount:
Financial Institution: Execution Date

Personal Bond and Certificate of Deposit Accepted
for Individual Lease

On (Date), this office received a personal bond and a certificate of deposit (CD) in the amount of \$10,000 for coverage of all operations conducted by or on behalf of the obligor on lease (Serial No.). The bond and CD have been examined and found acceptable; therefore, the bond is accepted effective (Date).

The pledge for the bond is a CD written by the financial institution named above. The document will be retained by the BLM until all terms and conditions of the lease have been fulfilled or until a satisfactory replacement bond has been accepted. If the term of the CD expires prior to release or replacement of the bond, the obligor may obtain the return of the certificate only by providing a replacement certificate made payable to the Department of the Interior-BLM, and bearing interest payable to the obligor or some other party. Otherwise, the certificate will be redeemed or retained for potential redemption to guarantee fulfillment of the obligor's obligations on lease (Serial No.).

Authorized Officer

Distribution:
Obligor
Financial Institution
Lease Case File

INFORMATION SHEET ON BONDS SECURED BY U.S. TREASURY SECURITIES

The following procedures are to assist the applicant in obtaining a U.S. Treasury Bill, Note, or Bond to be used as security for bond coverage required by the Bureau of Land Management (BLM), Department of the Interior. Instead of being transferred to the BLM's book-entry account through the Federal Reserve Bank (FRB) as in the past, securities will now be held in a Circular 154, U.S. Government Account Number 11, under the obligor's depository financial institution's (bank's) American Bankers Association (ABA) number with the FRB. Once the security is transferred into the Circular 154 Account Number 11, neither the obligor nor the bank will be able to access the security without the BLM providing authorization to the FRB to do so.

Therefore, when you as the obligor contact your bank to purchase a negotiable U.S. Treasury security, you need to send the following to the BLM office responsible for administering the lease(s) for which the bond is being provided as soon as possible:

- 1 Your name and address
2. The serial number of the oil and gas lease (or a statement that the bond is for statewide, nationwide, NPR-A, or unit coverage).
- 3 The type of Treasury security purchased (Bill, Bond, or Note).
4. The par amount of the security, the interest rate and maturity date of the security.
5. The Committee on Uniform Securities Identification Procedures (CUSIP) number of the security.
6. The name and mailing address of your bank, along with the name and telephone number of a contact person, if possible.
7. The depository bank's nine-digit ABA number.
8. The name of the FRB or branch servicing the depository financial institution.

Upon receipt of the information in Items 1-8, above, the BLM office will telefax a copy of that information to the BLM Business Center's Negotiable Securities Custodian. The Negotiable Securities Custodian will then contact both the servicing FRB or branch and the obligor's bank to authorize the transfer of the Treasury security to the Circular 154 Account Number 11.

THE OBLIGOR'S FINANCIAL INSTITUTION MUST NOT TRANSFER THE SECURITY TO THE CIRCULAR 154 ACCOUNT NUMBER 11 UNTIL AUTHORIZATION IS GIVEN BY THE BLM NEGOTIABLE SECURITIES CUSTODIAN.

When the Treasury security is transferred to the Circular 154 Account Number 11, the financial institution must include the following information in the electronic transfer message: "Security pledged to DOI-BLM (Name of Office) by (Name of Obligor) for (Lease number, etc.).". The following is an example of an acceptable transfer message: "Security pledged to DOI-BLM Wyoming State Office by Alpha Corporation for Oil and Gas Lease WYW12345."

Upon transfer of the negotiable security, the obligor is to provide the following information, in writing, to the appropriate BLM office:

1. A fully-completed current BLM bond Form 3000-4 (or Form 3000-4a for geophysical exploration). A power of attorney which authorizes the Secretary of the Interior to collect the funds in case of default in the lease terms as a part of Form 3000-4 (or Form 3000-4a).

2. A transaction document from your bank to verify that the amount that you paid for the security, excluding any commission fee and accrued interest, equals or exceeds the bond amount requirement of the BLM regulations. A discounted value less than the full amount is **not** acceptable. If a Treasury Bill, purchased at a discount, is submitted for less than the required bond amount, the bonded party must make up the difference, otherwise the bond will be returned as unacceptable. The obligor may submit a certified check or cashier's check in the amount of the deficiency to bring the bond up to the required amount.

The FRB will send the BLM Negotiable Securities Custodian a Statement of Pledged Activity and/or Acknowledgement of Book-Entry Deposit to document that the Treasury security was placed in the BLM Circular 154 Account Number 11, including the date on which the transfer took place. A copy of the Statement and/or Acknowledgement will be sent to this office by the BLM Negotiable Securities Custodian.

Upon receipt of the items from the obligor and Negotiable Securities Custodian, the BLM will notify the obligor with a written decision of the BLM's acceptance of the negotiable security. The BLM will notify the obligor in the decision: (1) that the personal bond has been accepted; (2) the BLM Bond Number assigned to the bond; and (3) the date that bond coverage is effective. The BLM office will also furnish a copy of its bond acceptance decision, along with a copy of the "Acknowledgement of Book-Entry Deposit, Release of Account Transfer," to the Negotiable Securities Custodian.

Semi-annual interest on Treasury Notes and Bonds will be transferred by the FRB to the obligor's bank, which will transfer the interest to the obligor in accordance with an agreement between the obligor and the financial institution (e.g., deposit the interest to a checking or savings account, etc.). The obligor's financial institution will be responsible for sending a 1099-INT form to the obligor for the interest paid the previous calendar for tax purposes.

The BLM Negotiable Securities Custodian will notify the appropriate BLM office about a maturing Treasury security approximately 90 days before the maturity date, and the BLM office, in turn, will notify the obligor by letter that the security is maturing.

If bond coverage is no longer required upon maturity of the security, or if acceptable replacement bond coverage is provided **before** the maturity date of the security, the BLM office will send a memorandum requesting that the Negotiable Securities Custodian direct the FRB to transfer the security from the Circular 154 Account Number 11 to the obligor's bank.

If replacement bond coverage is provided **after** the maturity date of the security, the BLM office will send a memorandum to the Negotiable Securities Custodian requesting that the proceeds of the matured security be transferred from the Circular 154 Account Number 11 to the obligor's bank after an acceptable replacement bond has been provided to the BLM office by the obligor.

If collection under the bond is necessary due to a default under the terms of the lease or leases covered by the bond, the BLM will send a memorandum to the Negotiable Securities Custodian requesting the FRB to transfer the proceeds of the Treasury security to the BLM. The proceeds of the security will then be deposited into the BLM office's suspense account to handle the costs of the default on the lease or leases.

If your bank has any questions about any of the information provided, it should contact the serving FRB or branch. Any questions concerning the BLM's procedures may be directed to the BLM Business Center's Negotiable Securities Custodian, BC-610, Federal Center, Denver, Colorado 80225-0047, Telephone (303) 236-6325. For information concerning the BLM bond requirements in general, the obligor may contact (Name and telephone number of the BLM State Office Bond Coordinator).

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Obligor:

Oil and Gas Personal Bond

Personal Individual Oil and Gas Bond Accepted
Backed by Negotiable Treasury Securities

On (Date), we received a personal bond in the amount of \$10,000. A U.S. Treasury (Note, Bill, or Bond) has been pledged with the Federal Reserve System to the account of the Department of the Interior-BLM as security for the individual lease bond, as confirmed by the BLM Business Center Negotiable Securities Custodian on (Date). The bond is accepted effective (Date the security was transferred to the Federal Reserve Bank, or date bond form was filed in State Office, whichever is latest).

The bond will be maintained by this office. The bond constitutes coverage of all operations conducted by or on behalf of the obligor on Federal lease (Serial No.). The bond provides coverage of the obligor whether he/she holds an interest in the lease and/or is conducting operations on the lease.

The pledge consists of a United States Treasury (Note, Bill, or Bond), with an interest rate of _____ percent, maturing (Date). This negotiable security will be retained in the account of the Secretary of the Interior-BLM until (1) this office is satisfied there is no further requirement for the bond, (2) satisfactory replacement bond coverage is furnished, or (3) the maturity date of the negotiable security. If the security is still in the Department of the Interior's account on the maturity date, the security will be converted to a cash deposit in this office's suspense account, without any further interest payments to the obligor, until a final determination is made whether further bond coverage is required.

Until the security is released or forfeited, regular interest payments will be made to the obligor by the Federal Reserve Bank until the maturity date.

Authorized Officer

Distribution:

Obligor
Negotiable Securities Custodian (BC-610)
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Obligor

Oil and Gas Personal Bond

Personal Statewide/Nationwide Oil and Gas Bond Accepted
Backed by Negotiable Treasury Securities

On (Date), we received a personal bond and power of attorney in the amount of (\$25,000) (\$150,000). A U.S. Treasury (Note, Bill, or Bond) has been pledged with the Federal Reserve System to the account of the Secretary of the Interior-BLM as security for the (statewide bond) (nationwide bond), as confirmed by the BLM Business Center Negotiable Securities Custodian on (Date). The bond is accepted effective (Date when the funds were received by the Federal Reserve Bank, or when bond form was filed in State Office, whichever is latest). The bond will be maintained by this office. The bond constitutes coverage of all operations conducted by or on behalf of the obligor on Federal leases (*nationwide) (in the State of (Name)). The bond provides coverage of the obligor where that obligor has interest in, and/or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Please note that Federal leases do not include Indian leases.

The pledge consists of a U.S. Treasury (Note, Bill, or Bond), with an interest rate of _____ percent, maturing (Date). This negotiable security will be retained in the account of the Secretary of the Interior-BLM until (1) this office is satisfied there is no further requirement for the bond, (2) satisfactory replacement bond coverage is furnished, or (3) the maturity date of the security. If the security is still in the Department of the Interior's account on the maturity date, the security will be converted to a cash deposit in this office's suspense account, without any further interest payments to the obligor, until a final determination is made whether further bond coverage is required.

Until the security is released or forfeited, regular interest payments will be made to the obligor by the Federal Reserve Bank until the maturity date.

Authorized Officer

Distribution:

Obligor
Negotiable Securities Custodian (BC-610)

*NOTE: If a nationwide bond, replace wording with *all Federal leases except those in the National Petroleum Reserve in Alaska (NPR-A).

Illustration 30
(V.E.13)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

ABC Production Company
P.O. Box 999
Denver, CO 80201

Gentlemen:

We have been advised that the \$10,000 U.S. Treasury Note your company pledged as security for your \$10,000 individual oil and gas bond, BLM Bond (Number), will mature on (Date). Until we are notified otherwise by our BLM Field Offices, you are required to maintain this bond coverage.

At maturity, the proceeds from your U.S. Treasury Note will be placed in this office's suspense account, with no further interest payments being paid to your company. The cash deposit will remain in the account as a bond until: (1) this office determines that there is no further need for bond coverage; or (2) replacement bond coverage is provided to this office. Attached is information regarding the various types of acceptable negotiable instruments that you may use to secure the replacement bond.

This information is provided to assist you in avoiding a substantial loss of interest. If you have any questions, please contact (Name and telephone number).

Sincerely

Authorized Officer

Attachment

Distribution:
Negotiable Securities Custodian (BC-610)
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

Memorandum

To: Director, BLM Business Center (BC-610)
Attention: Negotiable Securities Custodian

From Authorized Officer (State Office Fluid Minerals
Adjudication Code)

Subject: Request for Return of Maturing Treasury Negotiable Security

On (Date), (Company) furnished a U. S. Treasury (Note, Bill, or Bond) in the amount of \$. The Treasury security was placed in BLM's book-entry account on (Date) to provide security for the obligor's (individual lease) (statewide) (nationwide) bond.

Because the Treasury (Note, Bill, or Bond) matures on (Date), and replacement bond coverage has been provided by the obligor (or the bond coverage is no longer required), we ask that you contact the Federal Reserve Bank to request that, when the security matures, a check be sent directly to the following party:

(Name and Address of Bonded Party)

Distribution:

Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

Memorandum

To: Director, BLM Business Center
Attention: Negotiable Securities Custodian (BC-610)

From: Authorized Officer (State Office Fluid Minerals
Adjudication Code)

Subject: Request for Return of Proceeds from Matured Treasury Security Via
Electronic Funds Transfer

On (Date), we received information from you advising that the \$
Treasury (Bill, Note, Bond) which was placed in your Book-Entry Account with
the Federal Reserve Bank on (Date), would mature on (Date). We advised
(Name of bonded party) on (Date) of the upcoming maturity date of the
Treasury (Bill, Note, Bond). On (Date), we received notification from the
bonded party that a \$ Treasury (Bill, Note, Bond) was deposited in
the U.S. Government's Circular 154 Account Number 11 with the Federal
Reserve Bank of (Location) to secure replacement bonding for (Name of bonded
party).

We request that the proceeds of the \$ Treasury (Bill, Note, Bond),
with a maturity date of (Date) be returned via electronic funds transfer
to the account of (Name of bonded party) at the (Name and address of bank,
including the ABA number). Attached is a copy of your memorandum concerning
the original security. Questions at the bank may be directed to (Name and
telephone number).

If you have any questions, please call (Name and telephone number).

Attachment
Incoming Memo from BC-610

Distribution:
Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

DECISION

Obligor: Lease Serial No.
Bond Amount
Execution Date

Individual Personal Cash Bond Accepted

On (Date), this office received \$10,000 in the form of a certified (or cashier's) check to secure a bond for the oil and gas lease referenced above. The bond has been examined, found satisfactory, and is accepted effective (Date). The bond covers operations conducted by or on behalf of the principal on Federal lease (Serial No.).

The funds will be retained in a suspense account until all terms and conditions of the lease have been fulfilled or until satisfactory replacement bond coverage has been accepted, at which time this office will authorize a refund of the cash deposit.

Authorized Officer

Distribution:
Obligor
BLM Field Office Operations
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

DECISION

Obligor:

Oil and Gas Personal Bond

Bond Amount

Statewide/Nationwide Personal Cash Bond Accepted

On (Date), this office received (Amount) in the form of a certified (or cashier's) check to secure a (statewide/nationwide) bond for the obligor referenced above. The bond has been examined and found satisfactory, and is accepted effective (Date).

The funds will be retained in a suspense account until all terms and conditions of the lease have been fulfilled or until satisfactory replacement bond coverage has been accepted, at which time this office will authorize a refund of the cash deposit.

The bond will be maintained by this office. The bond constitutes coverage of all operations conducted by or on behalf of the obligor on Federal leases (*nationwide) (in the State of (Name)). The bond provides coverage of the obligor where that obligor has interest in, and/or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Please note that Federal leases do not include Indian leases.

Authorized Officer

Distribution:
Obligor

*NOTE: If a nationwide bond, replace wording with *all Federal leases except those in the National Petroleum Reserve in Alaska (NPR-A)

Surety Bond Number

BOND UNDER THE PROVISIONS OF GAS STORAGE AGREEMENT BEARING NO.

KNOW ALL MEN BY THESE PRESENTS, that (Name and business address of principal) as principal and (Name and address of surety company) as surety are held and firmly bound unto the United States of America in the sum of (Amount written out, i.e., Ten thousand, etc.), \$_____, lawful money of the United States, for the use and benefit of the United States to be paid to the United States for which payment, well and truly to be made, we bind ourselves, and each of our heirs, executors, administrators, successors and assigns, jointly and severally, upon the following conditions, viz:

The condition of the foregoing obligation is such that, whereas said principal, by Agreement Number _____, made and entered into as of (Date), has been granted an exclusive right to use the (Name) formation, encountered from the depth of (describe the formation, including the legal description), referred to in Agreement No. _____ as "gas storage sand."

WHEREAS, said principal has by such instrument entered into certain covenants and agreements set forth therein under which operations are to be conducted; and

WHEREAS, the surety waives any right to notices of, and agrees that this bond shall remain in full force and effect, notwithstanding:

1. Any assignment(s) of an undivided interest in any part or all of the lands in the lease(s) subject to Agreement No. _____, in which event the assignee(s) shall be considered to be co-principals on this bond as fully and to the same extent as though his/her/their duly authenticated signatures appeared thereon.

2. Any assignment(s) of 100 percent of some of the lands described in Agreement No. _____ or in oil and gas leases subject to the Agreement, the bond to remain in full force and effect only as to the lands retained in the lease and subject to said Agreement.

3. Any extension of the lease term(s) of the lease(s) subject to Agreement No. _____, or any modification of said lease(s) or any extension or modification of said Agreement, or the obligations thereunder, whether made or effected by commitment of the leases, or any of them, or said Agreement to any unit, cooperative, communitization or storage agreement, or development contract, suspension of operations or production, waiver, suspension or change in rental, minimum royalty or royalties, compensatory royalty payments, or otherwise.

NOW, THEREFORE, if the principal, his/her/their heirs, executors, administrators, successors, or assigns shall in all respects faithfully comply with all the provisions of Agreement No. _____, then the above obligations are to be void, otherwise to remain in full force and effect.

Signed this _____ day of _____, 19.

WITNESS SIGNATURE

PRINCIPAL SIGNATURE

Address

Address

WITNESS SIGNATURE

SURETY SIGNATURE

Address

Address

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

DECISION

Principal: Oil and Gas Bond for
Gas Storage Agreement
Surety: No.

Bond for Gas Storage Agreement Accepted

The bond described below has been examined, found satisfactory, and is hereby accepted effective (Date).

Name of Unit: _____, Agreement for the Subsurface Storage of Gas in the (Name) formation, (Name) County, State of (Name)

Bond Number: _____

Bond Amount: _____

Date Bond Executed: _____

Date Bond Filed: _____

The coverage of the bond extends to all operations of the principal, as unit operator, on Federal leases committed to the unit indicated. As long as the authorized officer determines that the amount of the bond is adequate to cover the unit operations, individual, statewide, or nationwide bonds from the working interest owners of particular leases committed to the unit will not be necessary for unit operations.

The bond will be maintained by the (Name of appropriate office). Termination of liability under the bond will be permitted only after this office is satisfied that there is no outstanding liability on the bond or satisfactory replacement bonding coverage is furnished.

Authorized Officer

Distribution:
BLM Field Office Operations

BLM Bond No.

Surety Bond No.:

RIDER

Coverage under the Statewide or Nationwide Oil and Gas Bond referenced above is hereby extended to include oil and gas geophysical exploration operations as prescribed by the regulations at 43 CFR 3154.1.

Executed this _____ day of _____, 19.

Witness Name and Address

Principal and Title

Witness Name and Address

Address

Surety

Address

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

DECISION

Principal:

Surety Bond Number:

Bond Amount:

Execution Date:

Surety:

:

Statewide/Nationwide Oil and Gas Exploration Bond Accepted

On (Date), this office received the (\$25,000/\$50,000) *surety bond described above. The bond has been examined and found to be satisfactory. Therefore, it is accepted effective (Date). The bond provides coverage for all exploration operations conducted by or on behalf of the principal on Federal surface administered by BLM and on Federal leases, regardless of surface ownership, (**nationwide) (in the State of (Name)).

Authorized Officer

Distribution:

Principal

Surety (c/o Attorney-in-fact)

*NOTE: Although the above format is for a surety bond, it also is acceptable for an operator to submit a personal exploration bond secured by guaranteed remittance (certified check or cashier's check), letter of credit, certificate of deposit, or negotiable Treasury securities. The acceptance of the personal exploration bond should be similar in format to Illustrations 17, 18, 25, 26, 28, 29, 33, and 34, with the language of the first paragraph, above, replacing the coverage provisions shown in those illustrations.

**NOTE: If a nationwide bond, insert the word "all", and delete the words "in the State of (Name)."

Illustration 39
(X.C.6)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Principal:

Surety Bond Number

Bond Amount:

Surety:

Execution Date:

NOI Number:

Individual Oil and Gas Exploration Bond Accepted

On (Date), we received the surety bond described above for coverage of the single exploration operation described on bond Form 3000-4a for which Notice of Intent to Conduct Geophysical Operations number _____ has been filed.

The bond has been examined, found satisfactory, and is accepted effective (Date).

Authorized Officer

Distribution:

Principal

Surety (c/o Attorney-in-fact)

Individual NOI File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Obligor:

Notice of Intent No.:

Bond Amount:

Execution Date:

Financial Institution:
(if applicable)

Personal Individual Exploration Bond and (LOC, CD, etc.) Accepted

On (Date) , this office received a personal bond and power of attorney accompanied by (Type of security, LOC, CD, etc.) in the amount of \$5,000 for coverage of the single exploration operation described on the bond Form 3000-4a and NOI Number . The bond and (Type of security, LOC, CD, etc.) have been examined, found satisfactory, and are accepted effective (Date) .

The security for the bond is (Describe the security and insert appropriate language for that type of security, i.e., LOC language from Illustration 17, or CD language from Illustration 25, etc.).

Authorized Officer

Distribution:

Obligor
Financial Institution
State Office Adjudication
Individual NOI File

NOTE: Because the individual geophysical bond is filed with the appropriate Field Office, this decision will be issued by the Field Office Fluid Mineral Operations rather than by State Office Fluid Leasing Adjudication.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

NOTICE

Principal/Obligor

Surety Bond No. :
(If surety bond)

Bond Amount

Surety (If required)

Execution Date

Status of Request for Termination of Bond Liability

This office has received a request to terminate the period of liability on the bond described above. The following indicates the current status of your request:

Reports must be received from the following offices as to any continuing need for the bond described above:

Please submit a list of oil and gas leases within the jurisdiction of this BLM State Office in which the principal(s) has held an interest since the bond was executed. When this list is received, we will request status reports from our Field Office Operations as to any continuing need for this bond.

Each BLM State Office must confirm that there is no objection to termination of the period of liability for this bond. They are being contacted on this date for their comments. Please advise each BLM State Office as to any leases within that office's area of jurisdiction in which the principal(s) has held an interest. A list of the BLM State Offices and addresses is enclosed to assist you in this effort.

Other

Authorized Officer

Attachment

Distribution

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

Memorandum

To:

From: Authorized Officer (State Office Fluid Minerals
Adjudication Code)

Subject: Request to Terminate Liability on Bond

This office has received a request to terminate the period of liability on the bond described below. Please report whether your office has any objections to such termination. We request your report on the duplicate copy of this memorandum as soon as possible.

Principal:
Surety:
Surety Bond Number
Bond Amount:

In duplicate (please return copy to originating office)

RESPONSE

No objection

Objection (indicate reason)

Name

Office

***NOTE:** The BLM Office will depend on the nature of the bond. Requests for termination of nationwide bonds are to be directed to all State Offices via the ALMRS Bond Bulletin Board. Requests for termination of statewide, unit, or single lease bonds should be directed to the Field Office Operations personnel responsible for supervising lease operations.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Principal/Obligor	Lease Serial No.: (If lease bond) *Surety Bond No.: (If surety bond)
Surety (if required)	Bond Type Bond Amount Execution Date:

Period of Liability Under Bond Terminated

Oil and gas lease (Serial No.) expired by operation of law on (Date). The period of liability under the above bond also terminated as that date.

The principal's record title interest has been assigned in its entirety and a new bond has been furnished by the assignee. The period of liability under the above bond also terminated as of (Date).

The period of liability under the above bond is terminated effective (**Date), the date the BLM Field Office Operations approved the final report of abandonment.

The period of liability under the above bond is terminated effective (**Date). All appropriate BLM Offices have concurred in the termination of this bond.

Other:

There is a presumption that the lease account is in good standing, subject to audit by the Minerals Management Service (MMS).

Please be advised that the MMS Royalty Management Program (RMP) may audit the lease in the future and the audit may reveal amounts due and owing. Such amounts found to be due and owing will be pursued by MMS-RMP for collection. If you have any questions, please contact the MMS-RMP Bond Coordinator, at (303) 231-3895.

Please note that termination of the period of liability does not relieve the principal or surety of any obligations arising out of the lease terms, applicable law, or regulations for any liabilities that may have accrued prior to the date the period of liability terminated.

If you have any questions concerning this correspondence, please contact (Name and telephone number).

Authorized Officer

Distribution:

Principal
Surety (c/o Attorney-in-fact)
Lease Case File, as applicable

* NOTE: This format also may be used to advise an obligor on a personal bond of termination of bond.

**NOTE: This should be the date that the bond is no longer necessary, generally, the date the last required memorandum consenting to termination of the period of liability is received in that State Office signing the decision. If the memorandum indicates that an earlier effective date is possible, the earlier date may be inserted.

The enclosed report(s) show the objection(s) to the termination of period of liability. The bond must remain in full force and effect until the conditions noted in the objection(s) are corrected, or the necessary work completed. For more specific information, please contact the office originating the objection.

Other (specify)

Authorized Officer

Attachment(s)

Distribution:

Principal/Obligor

Surety (c/o Attorney-in-fact)

Other BLM State and/or Field Office Operations

*NOTE: This format also may be used to advise an obligor on a personal bond of denial of termination of the bond.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

DECISION

Principal

Surety Bond Number

Bond Amount

Surety

Execution Date

NOI Number

Period of Liability of Individual Exploration Bond Released

On (Date) , this office received your Notice of Completion of Oil and Gas Exploration Operations for operations conducted under Notice of Intent (NOI) Number , dated (Date) .

The public lands upon which you conducted your operations were inspected for compliance with BLM requirements. It has been determined that, to the extent that a surface examination can disclose, the principal has complied with all terms, conditions and provisions of the NOI. Therefore, the period of liability of the above bond is terminated effective (Date) . This release, however, does not affect any liability you may have to the State of (Name) .

Authorized Officer

Distribution:

- Principal
- Surety
- State Office Fluid Leasing Adjudication
- NOI File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Obligor

Notice of Intent No

Bond Amount:

Execution Date

Financial Institution
(if applicable)

Period of Liability of Personal Individual Exploration Bond Terminated

On (Date), this office received your Notice of Completion of Oil and Gas Exploration Operations for operations conducted under Notice of Intent (NOI) Number , dated (Date).

The public lands upon which you conducted your operations were inspected for compliance with BLM requirements. It has been determined that, to the extent that a surface examination can disclose, the principal has complied with all terms, conditions and provisions of the NOI. Therefore, the period of liability of the above bond is terminated effective (Date). This release, however, does not affect any liability you may have to the State of (Name).

By memorandum, we have asked our State Office Fluid Leasing Adjudication Section to retrieve the (Type of security, LOC, CD, etc.) securing the above bond and return it to you as soon as possible. If you have any questions, please contact (Name and telephone number of contact person).

Authorized Officer

Distribution:

Obligor
Financial Institution (if applicable)
State Office Fluid Leasing Adjudication
NOI File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

NOI No

Memorandum

To: State Director, (Fluid Minerals Adjudication Code)
From: Authorized Officer, (Field Office Operations Code)
Subject: Return of (Type of Security, LOC, CD, etc.) Securing Individual
Exploration Bond

By memorandum dated (Date), this office forwarded (Type of security, LOC, CD, etc.) securing an individual personal bond for (Obligor). The geophysical exploration operations conducted under Notice of Intent (NOI) Number _____, for which the individual bond was required, have been inspected and found to be in compliance with BLM requirements.

The period of liability of the individual exploration bond has been terminated effective (Date). Therefore, we request that you arrange to retrieve the proceeds of negotiable Treasury security with the Business Center Negotiable Securities Custodian (BC-610) and return it to the obligor as soon as possible. Copies of the individual bond, a photocopy of the security, and our decision terminating the bond's period of liability are attached for your reference.

Attachments

Distribution:
NOI File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

NOI No.

Memorandum

To: Director, Denver Business Center
Attention: Negotiable Securities Custodian (BC-610)

From: Authorized Officer (State Office Fluid Minerals
Adjudication Code)

Subject: Return of (Type of Security, LOC, CD, etc.)

We request that you arrange for the original (Type of Treasury negotiable security) accepted by our (Name) District Office/Resource Area Office to secure a \$5,000 Individual Oil and Gas Exploration Bond to be returned to the obligor. The (Name) District Office/Resource Area Office has advised us that the bond is no longer required for coverage of the single exploration described in Notice of Intent (NOI) Number _____, and has terminated the period of liability of the bond effective (Date), as shown on the attached copy of their decision.

The following is provided for your information:

1. Obligor (Name and address)
2. Photocopy of Treasury security
3. Type and amount of bond: \$5,000 Single Oil and Gas Geophysical Exploration Bond.

Attachments

Distribution:
Field Office Operations

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

NOI No.

Memorandum

To: Director, Denver Business Center
Attention: Negotiable Securities Custodian (BC-610)

From: Authorized Officer (State Office Fluid Minerals
Adjudication Code)

Subject: Return of (Type of Security, LOC, CD, etc.)

We request that you arrange for the original (Type of Treasury negotiable security) accepted by our (Name) District Office/Resource Area Office to secure a \$5,000 Individual Oil and Gas Exploration Bond to be returned to the obligor. The (Name) District Office/Resource Area Office has advised us that the bond is no longer required for coverage of the single exploration described in Notice of Intent (NOI) Number _____, and has terminated the period of liability of the bond effective (Date), as shown on the attached copy of their decision.

The following is provided for your information:

1. Obligor (Name and address)
2. Photocopy of Treasury security
3. Type and amount of bond: \$5,000 Single Oil and Gas Geophysical Exploration Bond.

Attachments

Distribution:
Field Office Operations

Illustration 50
(X.E.5)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

NOI Number

REGISTERED MAIL-RETURN RECEIPT REQUESTED

Name and Address of Obligor

Gentlemen

Enclosed is the original (LOC or CD) accepted by the (Name) BLM District Office/Resource Area Office to secure a \$5,000 Individual Personal Oil and Gas Geophysical Exploration Bond.

The (Name) District Office/Resource Area Office has terminated the period of liability of the individual personal bond for the single exploration operation described under Notice of Intent (NOI) Number _____.

Sincerely,

Authorized Officer

Attachment

Distribution:

Obligor
Financial Institution
Field Office Operations
NOI File

NOTE: Letters of Credit are to be mailed via Certified Mail, and
Certificates of Deposit are to be mailed via Registered Mail

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

NOTICE

Assignee

Oil and Gas Bond

Assignor

Evidence of Bond Coverage Required

An assignment of interest affecting oil and gas lease (Serial No.)
between the parties named above has been filed in this office.

*Our records show that a well was drilled on this lease. Therefore, before approval of the assignment by the Bureau of Land Management, adequate bonding as required by 43 CFR 3104.2 (copy enclosed) must be provided.

Sixty days are allowed within which to furnish either (1) proof of bond coverage held by either the current lease operator or the lessee(s) in accordance with the regulations, or (2) a new bond. If additional time is needed, please request an extension in writing from this office. A new filing fee for the assignment will not be required if proof of bond coverage is submitted within the time allowed. If the requirement is not met within the time allowed, the assignment will be returned unapproved and the filing fee retained in accordance with 43 CFR 3106.3.

Authorized Officer

Attachment

Distribution:

Assignee
Assignor
Operator (if known)
Field Office Operations

*NOTE This sentence may be substituted with other appropriate language to fit the specific situation.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)
Lease Serial No.

NOTICE

Assignee:

Oil and Gas Bond

Clarification of Bond Coverage Required

Your assignment of the above oil and gas lease (Serial no.) from (Assignor) cannot be approved until we receive clarification of bond coverage for operations occurring on the lease. Regulations at 43 CFR 3104.2, effective June 17, 1988, require that the operator on the ground be bonded under the operator's own bond, or under a lessee's or an operating rights holder's bond with a consent of the surety.

Currently, bond coverage for operations on lease (Serial no.) is being provided by the following lessee's bond:

(List all lessees' bonds currently providing bond coverage here.)

Therefore, in order to effect approval of your assignment of record title, one of the following options must be exercised:

1. The lease operator may furnish bond coverage for his operations on the lease, accompanied by a statement that the operator is bound by all the terms and conditions of the lease, and that the operator's bond is liable for the operations. If the operator furnishes this bond coverage, lessees will no longer be required to provide bond coverage for this lease; or

2. You, as assignee, may furnish bond coverage, either under an existing bond or a new bond, accompanied by a consent of surety rider which extends coverage of your bond to lease operations being conducted on lease (Serial no.) by the operator; or

3. Any one of the lessees named above may obtain a Consent of Surety to its bond to cover the operations on lease (Serial No). Only one bond is required to cover the operations provided it covers 100 percent of the liabilities.

Action on the assignment is being suspended for 60 days pending receipt of bond information. If evidence of bond coverage is not received within that time, the assignment will be returned unapproved. Additional time, if required, must be requested in writing. An information packet is enclosed which discusses various bonding methods and amounts, including copies of the current bond form. If you have any questions, please contact (Name and telephone number of contact).

Authorized Officer

Attachments

Distribution:

Assignor
Bonded lessees
Operator
Field Office Operations
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)
Lease Serial No.

NOTICE

Assignee:

Oil and Gas Bond

Additional Requirement

Your assignment affecting oil and gas lease (Serial No.) cannot be approved as filed.

Our records show a well has been drilled on the lease. Liability for the drilling operations is being maintained by the lessee(s). The regulations at 43 CFR 3104.2 state, "The operator on the ground shall be covered by a bond in his/her own name as principal, or a bond in the name of the lessee or sublessee, provided that a consent of the surety, or the obligor in the case of a personal bond, to include the operator under the coverage of the bond is furnished to the Bureau office maintaining the bond."

One of the following requirements must be met in order to comply with the cited regulation:

1a. The assignee maintains bond number _____. The assignee may furnish a consent of surety to the bond. A sample consent is enclosed. The consent must be executed by the assignee (principal) and surety and must be accompanied by a power of attorney for the person signing on behalf of the surety.

OR

1b. The assignee maintains no bond coverage. Options available to secure an appropriate bond are contained in the enclosed "Information on Procedures for Obtaining Surety and Personal Bonds." If the assignee files a surety bond, it must be accompanied by a consent of surety. A sample consent is enclosed. The consent must be executed by the assignee (principal) and surety and must be accompanied by a power of attorney for the person signing on behalf of the surety. If a personal bond is secured, a consent of the obligor to the personal bond will be required. A sample of the consent of obligor is also enclosed.

All of the lessees (record title holders) are maintaining bonds to cover liabilities on the lease. Only one bond is required to cover the operations. Therefore, only one of the lessees must obtain a consent of surety to its bond in accordance with 43 CFR 3104.2.

2a. The operator of the well is _____ (Name) _____. The operator maintains bond number _____ which may be used to cover the liabilities provided a statement is filed in the BLM _____ (Name) _____ District Office/Resource Area Office wherein the operator agrees to use its bond to cover the liabilities.

OR

2b. The operator of the well is _____ (Name) _____. The operator currently maintains no bond coverage. The operator may file an acceptable bond together with a statement that the bond will cover liabilities for operation of the well on the lease. Bond options are outlined in the enclosed "Information on Procedures for Obtaining Surety and Personal Bonds."

Sixty days are allowed for the defect in the assignment to be cured. During that time, a new filing fee will not be required. If the defect in the assignment is not cured within the time allowed, we will issue a decision denying approval of the assignment. If additional time is needed to comply with the above requirement, a written request for an extension of time must be filed in this office. Should you have questions concerning this correspondence, you may contact (Name and telephone number of contact).

Authorized Officer

Attachments

Distribution:

Assignee
Assignor
Operator
Field Office Operations
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

DECISION

Assignee:

Oil and Gas Lease Assignment

Assignor:

Request for Approval of Assignment Denied

Your request for approval of the assignment of oil and gas lease (Serial No.) is hereby denied because you did not comply with our Notice dated _____, 19__, requesting evidence of bond coverage or submission of a new bond. The assignment is returned enclosed to the assignee. Your filing fee is nonrefundable in accordance with the regulations at 43 CFR 3106.3. Therefore, a new assignment must be accompanied by an additional \$25 filing fee.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

Authorized Officer

2 Attachments

- 1 - Assignment (To assignee)
- 2 - Form 1842-1

Distribution:

Assignee
Assignor
Operator, if applicable
Field Office Operations
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

DECISION

Assignee:

Oil and Gas Lease Assignment

Assignor:

Request for Approval of Assignment Denied

Your request for approval of the assignment of oil and gas lease (Serial No.) is hereby denied because you did not comply with our Notice dated _____, 19__, requesting evidence of bond coverage or submission of a new bond. The assignment is returned enclosed to the assignee. Your filing fee is nonrefundable in accordance with the regulations at 43 CFR 3106.3. Therefore, a new assignment must be accompanied by an additional \$25 filing fee.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

Authorized Officer

2 Attachments

- 1 - Assignment (To assignee)
- 2 - Form 1842-1

Distribution:

Assignee
Assignor
Operator, if applicable
Field Office Operations
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

Memorandum

To State Director, (Fluid Leasing Adjudication Code)
From Authorized Officer, (Field Office Operations)
Subject Increased Bond Requirement for Lease (Serial No.)

The (Name) District Office/Resource Area Office/Forest Service Office requests a minimum bond amount of \$(Total amount required) for lease (Serial No.). This increase in bond coverage from \$(Existing bond amount) to \$(Total amount required) is requested for the following reasons (indicate specific reasons for requiring the increased bond amount, for example):

1. An existing well is located (legal description). Testing and/or resumption of production of this well could result in (describe consequences).
2. Preliminary verbal cost estimates from a consultant indicate that plugging of the well would require \$(Amount).
3. Fish and wildlife organizations have expressed great concerns about any oil and gas development within the reservoir. It is anticipated that these environmental concerns would result in additional restrictions and other costly preventive measures associated with any activities at this site.
4. The \$(Total amount required) bond is needed to offset Government expenses in case the operator should relinquish the lease without plugging and abandoning the well, especially due to the sensitive environment of this lease.
5. The (Name) Forest Service Supervisor has recommended an increase in the amount of the bond due to the fragile and unique environmental features within the cite described in the surface use plan of operations. See the attached copy of the justification provided by the FS Minerals staff.

Attachment

Distribution:
Forest Service Office as applicable

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (office Code)

BLM Bond No

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

NOTICE

Principal/Obligor: Lease Serial No.: (If lessee bond)
Surety Bond No.: (If surety bond)
Bond Amount (Current Amount)
Surety If required) Execution Date:

Additional Bond Amount Required

Regulations at 43 CFR 3104.5 allow the amount of any bond to be increased when additional coverage is determined appropriate. The (Name) District Office/Resource Area Office/Forest Service Office has recommended that the amount of your \$(Current amount) (individual lease) (statewide) (nationwide) (unit) bond be increased to \$(Amount). A copy of the BLM/FS Field Office's recommendation memorandum is enclosed. This office concurs in the recommendation.

The additional recommended bond amount may be furnished either by a surety bond or a personal bond. Bond information and the current bond form are enclosed. If you do not agree with the recommended amount, you must submit a written justification for a lesser bond amount to this office. You are allowed 60 days from receipt of this Notice in which to comply. If additional time is needed, please request an extension of time from this office in writing.

Authorized Officer

2 Attachments

- 1 - Copy of BLM/FS Field Office Operations memorandum
- 2 - Bond Information and Bond Form

Distribution:

Principal/Obligor
Surety (if applicable)
BLM/FS Field Office Operations
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (office Code)

BLM Bond No

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

NOTICE

Principal/Obligor: Lease Serial No.: (If lessee bond)
Surety Bond No.: (If surety bond)
Bond Amount (Current Amount)
Surety If required) Execution Date:

Additional Bond Amount Required

Regulations at 43 CFR 3104.5 allow the amount of any bond to be increased when additional coverage is determined appropriate. The (Name) District Office/Resource Area Office/Forest Service Office has recommended that the amount of your \$(Current amount) (individual lease) (statewide) (nationwide) (unit) bond be increased to \$(Amount). A copy of the BLM/FS Field Office's recommendation memorandum is enclosed. This office concurs in the recommendation.

The additional recommended bond amount may be furnished either by a surety bond or a personal bond. Bond information and the current bond form are enclosed. If you do not agree with the recommended amount, you must submit a written justification for a lesser bond amount to this office. You are allowed 60 days from receipt of this Notice in which to comply. If additional time is needed, please request an extension of time from this office in writing.

Authorized Officer

2 Attachments

- 1 - Copy of BLM/FS Field Office Operations memorandum
- 2 - Bond Information and Bond Form

Distribution:

Principal/Obligor
Surety (if applicable)
BLM/FS Field Office Operations
Lease Case File

BLM Bond No.:

Surety Bond No.:

Lease Serial No. (if lease bond)

RIDER

In consideration for any premium charged for this rider and the acceptance of this rider by the Bureau of Land Management on behalf of the United States of America, the undersigned principal(s) and surety hereby extend the coverage of this bond to the performance of all lease obligations, both past and future, including the responsibility to properly plug and abandon any and all wells drilled on the leasehold, including related surface reclamation, and to pay any outstanding rentals or royalties due. This assumption shall continue whether or not the lease subsequently expires or terminates or is relinquished or cancelled; provided, however, that this rider shall not act to increase the actual cumulative or potential liability of the Surety above the face amount of the bond, to wit:
_____ Dollars (\$_____).

Executed this _____ day of _____, 19.

Witness and Address

Principal

Witness and Address

Surety

NOTE: The above rider can be modified to refer to specific outstanding wells.

BLM Bond No.: (Replacement Bond)
Surety Bond No (Replacement Bond)

RIDER

It is hereby agreed by and between the undersigned principal(s) and surety, in consideration for the additional premium or consideration paid for this rider, if any, and the consent by the Bureau of Land Management on behalf of the United States to terminate the period of liability on Bond No. (Replaced Bond No.) carrying the same principal(s) and (Surety on Replaced Bond) as surety, the undersigned principal(s) and surety hereby assume any and all liabilities that may be outstanding on Bond No. (Replaced Bond No.) including, but not limited to, the obligation to properly plug and abandon all wells existing on leases to which Bond No. (Replaced Bond No.) applies and any unpaid rentals or royalties heretofore accruing: provided, however, that this rider shall not act to increase the potential or cumulative liability of the surety above the face amount of the bond to which this rider attaches.

Executed this _____ day of _____, 19__

Witnesses:

Principal and Title

Address

Surety

Address

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code

BLM Bond No

DECISION

Principal

Surety Bond Number

Bond Amount:

Execution Date

Surety

(Type of Bond, Statewide, Nationwide) Bond Accepted

On (Date), we received the bond described above. We have examined the bond, found it satisfactory, and it is accepted effective (Date).

The bond constitutes coverage of all operations conducted by or on behalf of the principal on *Federal leases in the State of (Name). The bond provides coverage of the principal where that principal has interest in, and/or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Federal leases do not include leases on Indian lands.

Currently on file in this office is a \$(Current amount) (statewide/nationwide) bond number (Surety number) issued previously for the same principal by the (Name of surety on prior bond), (BLM Bond No. _____). (Name of new surety company) has stated that it is unwilling to accept any liabilities that may have accrued under the prior bond. Therefore, the above bond, (Identify by surety bond number and BLM Bond No. _____), will only provide coverage of lease interests and operations acquired by the principal subsequent to its acceptance date, (Date). Under separate cover, we are notifying (Name of surety company on prior bond) that we have terminated future liability under the prior bond so that liability does not continue to accrue under that bond. However, termination of the period of liability of the prior bond will be approved only after all obligations covered by that bond have been fulfilled.

Authorized Officer

Distribution:

- Principal
- Surety (on new bond)
- Surety (on prior bond)

*NOTE: If a nationwide bond, replace wording with *all Federal leases except those in the National Petroleum Reserve in Alaska (NPR-A).

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Principal/Obligor: Lease Serial No.: (If lease bond)
Surety Bond No.: (If surety bond)
Bond Amount
Surety: (If required) Execution Date: _____

Period of Liability Under Bond Terminated in Part

The bond described above is on file in this office. The bond provides that the surety may elect to terminate future liability as to additional lease interests issued to or acquired by the principal more than 30 days after the receipt of notice of such election by the Bureau of Land Management.

Notice of such election was received by this office on (Date). Therefore, the coverage of the bond will not extend to any additional or new interest in any Federal oil and gas lease acquired by the principal after (*Date).

This action does not release the surety from any liability on the bond for those interests of the principal to which the bond applied before the notice was received, or acquired by (*Date).

In order to determine whether or not there are any liabilities remaining under the bond, please furnish a list of Federal leases in (Name of State or all States) in which you hold record title or operating rights interests, and leases for which you have provided bond coverage in the capacity of operator, including terminated leases on which drilling has taken place. Also, please identify any leases for which assignments of your interests are pending approval with BLM. Upon your reply, we will take further action to terminate the period of liability under the above bond.

Authorized Officer

Distribution:
Principal/Obligor
Surety(c/o Attorney-in-fact)
Lease Case File (if an individual bond)

*NOTE This date should be 30 calendar days following the date of receipt in the proper BLM office of the election to terminate future liability under the bond.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

DECISION

Principal/Obligor: Lease Serial No.: (If lease bond)
Surety Bond No.: (If surety bond)
Bond Amount
Surety: (If required) Execution Date: _____

Period of Liability Under Bond Terminated in Part

The bond described above is on file in this office. The bond provides that the surety may elect to terminate future liability as to additional lease interests issued to or acquired by the principal more than 30 days after the receipt of notice of such election by the Bureau of Land Management.

Notice of such election was received by this office on (Date). Therefore, the coverage of the bond will not extend to any additional or new interest in any Federal oil and gas lease acquired by the principal after (*Date).

This action does not release the surety from any liability on the bond for those interests of the principal to which the bond applied before the notice was received, or acquired by (*Date).

In order to determine whether or not there are any liabilities remaining under the bond, please furnish a list of Federal leases in (Name of State or all States) in which you hold record title or operating rights interests, and leases for which you have provided bond coverage in the capacity of operator, including terminated leases on which drilling has taken place. Also, please identify any leases for which assignments of your interests are pending approval with BLM. Upon your reply, we will take further action to terminate the period of liability under the above bond.

Authorized Officer

Distribution:
Principal/Obligor
Surety(c/o Attorney-in-fact)
Lease Case File (if an individual bond)

*NOTE This date should be 30 calendar days following the date of receipt in the proper BLM office of the election to terminate future liability under the bond.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

Principal/Obligor	Lease Serial No	(If lease bond)
	Surety Bond No	If surety bond)
*Surety (If required)	Bond Amount:	
	Execution Date	

Bond Amount Reduced

The \$10,000 oil and gas lease bond described above is hereby reduced to \$ _____ effective (Date), by recommendation of our (Name) District Office/Resource Area Office The remainder of the bond will be released when the revegetation is successful and final abandonment has been approved by the (Name) Field Office Operations

Authorized Officer

Distribution:
Principal/Obligor
*Surety - 2 copies
Field Office Operations
Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

Lease Serial No.

Name/Address of Requestor

Dear _____:

This is in response to your letter dated (Date), requesting an unconditional release on all past, present, and future liabilities under (Surety bond number), with (Name) as principal and (Name) as surety. We cannot provide such a letter.

The regulations at 43 CFR 3104.8 state, "The authorized officer shall not give consent to termination of the period of liability of any bond unless an acceptable replacement bond has been filed or until all the terms and conditions of the lease have been met." When the BLM Field Offices concur in termination of the period of liability, it means that they have determined, to the extent that they can, that all terms and conditions of all leases covered by the bond have been completed. Only when such a determination has been made can this office terminate the period of liability, that is, set a specific time after which no new liability or cause of action may accrue under the bond. The regulations do not allow any complete cancellation of a bond, nor do the regulations allow an "unconditional release" of the surety from any liability whatsoever.

The bond was accepted to provide bond coverage for producing lease interests held by the principal during the period from the date of its acceptance until BLM determined, to the best of its knowledge, that the bond was no longer required and terminated its period of liability effective (Date). The termination of liability would not preclude our assessing liability against the principal and surety if, for example, two years after termination of the period of liability, BLM discovers that a well has been improperly plugged and abandoned and has caused serious environmental damage. The fact that the period of liability of the bond has been terminated means only that the exact date has been set, beyond which no new cause of action may accrue. Therefore, we cannot grant you an unconditional release of your bond.

You indicate that our failure to provide total cancellation of the bond or termination of all liability under the bond may affect the return of the principal's collateral securing the bond. We regret that we cannot be of more help in this matter; however, it has always been our position that the financial arrangements made in regard to surety bonds are a private matter, between the principal and the surety, in which the BLM may not interfere.

If you have additional questions or concerns regarding the BLM bond regulations or policies, please contact us.

Sincerely,

Authorized Officer

Distribution:

Principal

Surety

Lease Case File (if individual bond)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

Lease Serial No

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Name/Address of Operator

Dear

Our records show that you are the operator of expired Federal lease (Serial number and legal description). As such, you are responsible for all lease operations on the referenced legal description including proper well abandonment and reclamation. You were previously informed of this requirement by a letter dated (Date), copy enclosed.

You are hereby ordered to complete the following actions within the indicated timeframes (list each action to be completed, and the deadline for each, for example):

1. Submit an amended Notice of Intent to Abandon (NIA) conforming with the plugging procedure outlined in our letter dated (Date), copy enclosed. Deadline: 30 days from receipt of this letter.
2. Repair the road to the referenced location to allow access by a workover rig.
3. Plug the referenced well in accordance with the approved, amended NIA
4. Seed the recontoured area with the following seed mixture:

<u>Species</u>	<u>Lbs. PLS/Acre</u>
Siberian wheatgrass (P27)	3
Russian wildrye (Vinall)	2
Crested wheatgrass (Nordan)	3

Prepare seed bed by disking to a depth of 4 to 6 inches following the natural contour at a depth no greater than ½ inch. In areas that cannot be drilled, broadcast at double the above rate and harrow seed into the soil. Certified seed is recommended.

Fall seeding must be completed after (Date), and prior to ground frost. Spring seeding must be completed after the frost has left the ground and prior to (Date).

Perennial vegetation must be established. In case of seeding failure, additional work will be required.

Illustration 64, Page

You must commence work on items 2 through 4 by (Date), and continue the work diligently to completion. Failure to comply with this order will result in action being taken against bond number (Surety bond number), with (Name of surety) as surety.

Please notify this office at least 48 hours prior to commencement of operations. If you have any questions, please contact (Contact person's name and telephone number).

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

Sincerely,

Authorized Officer

Attachments

Copy of previous letter
Form 1842-1

Distribution:

Operator
Lessee(s) (if other than operator)
Surety
Field Office Operations

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

Lease Serial No

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Name and Address of Surety

Gentlemen

By certified letter dated (Date), this office ordered (Name of operator) to properly plug and abandon well number on lease (Serial number and legal description). The order required plans for plugging and abandonment to be submitted within 30 days from receipt of the notice and that the actual plugging be completed within days. The return receipt card for the certified letter containing these orders shows that the operator received the letter on (Date). Plans for plugging and abandonment were due in our office (Date), and the actual plugging was to be completed by (Date).

Because (Name of operator) has not complied with the orders contained in the certified letter, and (Name of surety) is the surety for the bond guaranteeing compliance with the lease terms, including plugging operations, (Name of surety) must perform one of the following actions:

1. Require the operator or lessee to submit plans for plugging well number within 30 days from receipt of this notice. Upon approval of these plans by the BLM, require the operator to commence plugging operations within 60 days and diligently continue until completed; or
2. Within 60 days, enter into a contract such that the plugging of well number will commence within 90 days and diligently continue until completed. The plugging program must be approved by the BLM; or
3. Authorize, in writing, within 60 days, for the BLM to act as the Surety's agent to contract and oversee the plugging of well number . Written authorization must acknowledge that the contractor will directly bill the surety for payment, and that the surety will pay the BLM an additional 25 percent for administrative costs as specified in the regulations at 43 CFR 3163.1(a)(4), with the total costs incurred not to exceed the bond(s) face amount(s).

If none of the above actions are commenced within the specified times, the United States will take action to attach the following bonds for the costs of plugging well number _____ plus an additional 25 percent for administrative costs: (List applicable bonds, with surety identification numbers, names of principals and BLM bond numbers).

Sincerely,

Authorized Officer

Distribution:

Operator
Lessee(s) (if other than the operator)
State Office Fluid Leasing Adjudication
Lease Case File

Requesting Office
 Branch of Fluid Minerals
 (23)

Requesting Office Phone (include area code)
 (307) 775-6176

Requisitioned by (Signature)
 Name and Title (Please print)
Pamela J Lewis, Supervisory Land Law Examiner
 Requisition approval by (Signature)

Name and Title (Please print)
Robert A Bennett, DSD, Mineral Resources

By approving this requisition, the office or delegate certifies that funds are available for this action in the accounts specified (See 1510.03D1).

FUND CODE	SUB-ACTIVITY	PROG. ELEM.	PROJECT	OBJECT CLASS		AMOUNT
				MAJOR	MINOR	
	5320	10		32	11	\$8,893.94

DESCRIPTION OF SERVICE OR ITEM INCLUDING STOCK NUMBER (Double space between items)	QUAN-TITY	UNIT	ESTIMATED		
			UNIT PRICE	TOTAL	
Reimbursement for reclamation of well 35-33 Restoration and rehabilitation of Conely & Assoc wellsite located in NW4SE4, Section 35, T. 27N., R. 90W. of Fremont County, Wyoming	1	job			\$8,893.94

Discount for prompt payment		GRAND TOTAL	
Time of Delivery	Ship Via		
F.O.B. Point			
Order No.	Date		
Classification (Check appropriate box(es)) <input type="checkbox"/> SMALL <input type="checkbox"/> SMALL DISADVANTAGED <input type="checkbox"/> WOMAN-OWNED <input type="checkbox"/> LABOR SURPLUS AREA			

Requesting Office
 Branch of Fluid Minerals
 (23)

Requesting Office Phone (include area code)
 (307) 775-6176

Requisitioned by (Signature)
 Name and Title (Please print)
Pamela J Lewis, Supervisory Land Law Examiner
 Requisition approval by (Signature)

Name and Title (Please print)
Robert A Bennett, DSD, Mineral Resources

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				MAJOR	MINOR	
	5320	10		32	11	\$8,893.94

DESCRIPTION OF SERVICE OR ITEM INCLUDING STOCK NUMBER (Double space between items)	QUAN-TITY	UNIT	ESTIMATED		
			UNIT PRICE	TOTAL	
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Discount for prompt payment		GRAND TOTAL	
Time of Delivery	Ship Via		
F.O.B. Point			
Order No.	Date		
Classification (Check appropriate box(es))			
<input type="checkbox"/> SMALL	<input type="checkbox"/> SMALL DISADVANTAGED	<input type="checkbox"/> WOMAN-OWNED	<input type="checkbox"/> LABOR SURPLUS AREA

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

Lease Serial No.

Memorandum

To: Applicable State Office and Field Office Fluid Minerals

From: Authorized Officer (State Office Fluid Minerals
Adjudication Code)

Subject: Review of Liability Under Bond (BLM Bond Number)

The (Name of office) has determined a default for the identified lease and has requested initiation of collection procedures under the applicable bond(s).

Please respond within 15 days if there are any other liabilities under this bond due to leasehold operations. If your response will take longer than 15 days, please notify (Contact person and telephone number) to advise us when your completed respond to this request will be fulfilled.

Distribution:

Appropriate BLM State Offices
Appropriate Field Office Operations
Each affected lease case file

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

Lease Serial No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

Principal/Obligor

Bond No

Bond Amount:

Surety

Default Determined; Payment Under Bond Required

By a decision dated (Date) (copy enclosed), this office was notified of the following problems on the captioned lease:

(Describe here briefly

Included with the report is documentation of the attempts made by our BLM Field Office Operations to correct this/these problem(s). Because you are in default of the terms and conditions of lease (Serial no.) (or all leases covered) by the bond, payment under all applicable bonds, as described below, is required in the amount of \$_____ which represents costs of \$_____, and a 25 percent administrative fee of \$_____.

Payment is to be made to the following BLM office: (Address)

You have 30 days from the date you receive this decision to make the required payment. Failure to do so within the time allowed may result in initiation of cancellation procedures for the lease and/or judicial procedures to secure payment. By copy of this decision, all appropriate offices and parties are being notified of this demand for payment.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1

Authorized Office

Distribution:

Principal/Obligor
Surety (c/o Attorney-in-fact)
Lessee/operator (if other than principal)
Field Office Operations
Lease Case File

Illustration 69
(XVIII.C.11a)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

Surety Bond No

Department of the Treasury
Surety Bond Branch
401 14th Street, S.W.
Washington, D.C. 20027

Gentlemen:

Enclosed is a report with appropriate background information concerning a default in payment required under a surety bond covering a Federal oil and gas lease. The surety, (Name), failed to render the required payment under the bond to the Bureau of Land Management when requested to do so by this office.

We recommend that the surety's certification and acceptability be reviewed and reconsidered by the Department of the Treasury.

If you need further information concerning this matter, please contact (Name and commercial/FTS telephone number).

Authorized Officer

Attachment

Distribution:
Business Center (BC-610)
WO Fluids Group (WO-310)
Surety
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

Surety Bond No

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

DECISION

Principal/Obligor

Surety: (if required)

Payment Under Bond Not Received

By a decision dated (Date) (copy enclosed), you were required to pay
\$_____ under the bond(s) identified below:

Principal:
Surety ID No.:
Amount:
Type:
Lease/State/Unit
BLM Bond No. ____

You were allowed 30 days from the date of receipt of the above-cited
decision within which to make the required payment.

Our records show the decision was received on (Date). Therefore, payment
was to have been made no later than (Date). The payment has not been
received. Therefore, you are in default of your contractual obligations to
the U.S. Department of the Interior under the bond.

We have forwarded appropriate information to the Department of the Interior's Regional Solicitor's Office to pursue the matter judicially * and to the Department of the Treasury for its reconsideration of the standing of this surety to be certified to issue bonds for requirements of agencies of the United States Government.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

Authorized Officer

Attachments

Distribution:
MMS-RMP (Mail Stop 3132)
WO Fluids Group (WO-310)
Regional Solicitor
All BLM State Offices

*NOTE: Omit this portion of sentence if a personal bond.

Illustration 71
(XVIII.C.11c)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

Lease Serial No.

Memorandum

To: Regional Solicitor
From: State Director, (State Name)
Subject Request for Judicial Action Against Surety

Attached is a report with background information concerning a default in contractual obligations under an oil and gas bond. We request that you initiate appropriate judicial action to cancel the lease (or to cancel all leases covered by the bond).

For further information, please contact (Name and telephone number).

Authorized Officer

Attachment

Distribution:
Principal
Surety
Field Office Operations
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

ILLUSTRATION 72
(N.M.L.C. 122)

CASH RECEIPT DOCUMENT (CR)

DOCUMENT ID: DIVISION: W Y

ID NUMBER: K 9 2 0 J 1 0 0 0 0 1

HEADER INFORMATION

BATCH DATE:	NUM DOCS:	NET:
DOC DATE:	ACCTG PRD:	ACTION:
BUDGET FY:	FUND:	PRINCIPAL TT:
INTEREST TT: <u>--</u>	ADM CHARGES TT: <u>--</u>	PENALTY TT:
CASH ACCT:	DEP NUMBER: <u>J 1 0 0 0 0 1</u>	DOC TYPE:
BILL FUND:	DOCUMENT TOTAL: <u>. 0 0</u>	
DISB OFFICE:	ACCOMPLISHED DATE: <u>0 4 1 5 9 1</u>	
REF TC:	REF NUMBER:	

LINE INFORMATION

LINE NO: 0 0 1 REFERENCE TC: -- REFERENCE NO: ----- REF LINE NO: -----
 PRIN TT: S U INTEREST TT: -- ADM CHG TT: -- PENALTY TT: --
 ACT OUT: ----- CASH REC POST ORDER: -- WRITE-OFF REASON: -----
 BFY: ----- FUND: ----- BUDGET ORG/SUB: W Y 9 2 0
 PROGRAM: S U 7 6 REV SRCE/SUB: ----- COST ORG/SUB: -----
 BOC/SUB: ----- JOB NUMBER: ----- REPT CAT: -----
 GL ACCT: ----- CLOSED BFYS: ----- CLOSED FUND: -----
 AGR NUM: ----- CHECK NUMBER: ----- ADV: --
 VND/PRV: C N P U B 1 AMOUNT: 8 8 9 3 . 9 4 I/D: D P/F: --
 ADV NUM: ----- TRAVEL TYPE: -----
 DESC: B O N D F O R R E C L -----

LINE NO: 0 0 2 REFERENCE TC: -- REFERENCE NO: ----- REF LINE NO: -----
 PRIN TT: R V INTEREST TT: -- ADM CHG TT: -- PENALTY TT: --
 ACT OUT: ----- CASH REC POST ORDER: -- WRITE-OFF REASON: -----
 BFY: ----- FUND: ----- BUDGET ORG/SUB: W Y 9 2 0
 PROGRAM: 5 3 2 0 7 7 REV SRCE/SUB: ----- COST ORG/SUB: -----
 BOC/SUB: ----- JOB NUMBER: 1 0 0 0 REPT CAT: -----
 GL ACCT: ----- CLOSED BFYS: ----- CLOSED FUND: -----
 AGR NUM: W Y 5 3 2 0 1 0 0 0 CHECK NUMBER: ----- ADV: A
 VND/PRV: P C W Y 9 2 0 1 AMOUNT: 8 8 9 3 . 9 4 I/D: I P/F: --
 ADV NUM: ----- TRAVEL TYPE: -----
 DESC: -----

PREPARED BY: _____ DATE: _____
 APPROVED BY: _____ DATE: _____
 INPUT BY: _____ DATE: _____

EXPLANATION: CONTRACT AWARDED -- PAYMENT FOR RECLAMATION 14X5017 (SUBACTIVITY 5320)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

Principal/Obligor	Lease Serial No	(If lease bond)
	Surety Bond No.:	(If surety bond)
Surety: (If required)	Bond Amount	
	Execution Date:	

Bonding Requirement

This office has been notified that the surety (or obligor) on the bond described above has made the following payment(s) required in response to a demand for payment under (Lease serial no. or the following leases:).

This payment has caused the amount of coverage under the bond to be reduced by the amount paid. Therefore, your bond no longer meets the minimum amount required by the regulations.

In order to correct this situation, you must take one of the following actions:

- (1) File a rider to your present bond, executed by you and the surety, stating that the face amount of the bond is restored to \$_____, its original amount; or
- (2) File a new bond, accompanied by a rider to assume any and all liability outstanding on the bond which is now in default. Upon receipt and acceptance of such a replacement bond, the period of liability of the previous bond will be terminated; or
- (3) File individual lease bonds (or statewide bonds) for all leases now covered by the bond in default. These new bonds must expressly assume any present liability on the bond in default attributable to the specific lease (or State(s) subject to coverage).

You are allowed 6 months* from your receipt of this decision within which to correct the present default in bond coverage or to file acceptable new bonds to remedy the default. If, in the interim period, any well sites are properly abandoned and reclamation of the surface is accomplished to the satisfaction of the Authorized Officer, you will not be required to maintain bond coverage for those specific wells.

If you fail to provide proper bonding coverage within the period allowed, those leases requiring bonding coverage that are not in a producing status and which are not considered to contain valuable deposits of oil or gas are subject to administrative lease cancellation. Where a lease is considered producing or known to contain valuable deposits, should you fail to provide proper bonding coverage, this office will forward the cases to the Department of the Interior's Office of the Solicitor with a recommendation that the lease(s) be cancelled by judicial action.

Failure to comply with this decision within the 6-month period* specified will result in the issuance of decisions to cancel leases and/or commence judicial proceedings.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1)

Authorized Officer

Distribution

Principal(s)
Surety (c/o Attorney-in-fact)
All State Offices
Field Office Operations
Lease Case File (if individual bond)
MMS-DMD

*NOTE: The compliance period is discretionary, but must not exceed 6 months in accordance with the regulations at 43 CFR 3104.7(b). Thus, a shorter deadline may be set by the authorized officer.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

Principal/Obligor:

:
:
:
:

Insufficient Payment Under Bond Received

By decision dated (Date) (copy enclosed), you were required to pay
\$_____ under the bond(s) identified below:

- Principal:
- Surety ID No.:
- Amount:
- Type:
- Lease/State/Unit:
- BLM Bond No: _____

You were allowed 30 days from the date of receipt of the above-cited
decision within which to make the payment.

Our records show the decision was received on (Date). On (Date), a
payment in the amount of \$_____ was made. This amount is not full
payment of the obligation owed the U.S. Government. Therefore, you are in
default of your contractual obligations to the U.S. Department of the
Interior in the remaining amount of \$_____.

We have forwarded appropriate information to the Department of the
Interior's Regional Solicitor's Office to * collect the remaining balance
due/initiate lease cancellation.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1)

Authorized Officer

Attachments

Distribution

- MMS-DMD (Mail Stop 3132)
- WO Fluids Group (WO-310)
- Regional Solicitor
- All BLM State Offices

Modify to fit the reason the Solicitor's Office is being notified.

Illustration 76
(XVIII.C.16b)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

Lease Serial No.

Memorandum

To: Regional Solicitor
From: State Director, (State Name)
Subject: Request for Judicial Action Against (Lessee, Operating Rights
Owner, Operator, Surety)

Attached is a report with background information concerning a default in contractual obligations under an oil and gas bond. We request that you initiate appropriate judicial action to cancel the lease (or to cancel all leases covered by the bond).

For further information, please contact (Name and telephone number)

Authorized Officer

Attachment

Distribution:
Principal
Surety
Field Office Operations
Lease Case File

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

Obligor:

Oil and Gas Bond

Personal Bond Appropriated

Our (Name) District Office/Resource Area Office has provided this office with documentation detailing their unsuccessful efforts to obtain reclamation under the terms of (Lease number, unit agreement name, etc.). Because the obligor did not perform the reclamation as ordered by the authorized officer's letter dated (Date), the BLM Field Office contracted (Name of contractor) to perform the required work. The Field Office advises that the work has been satisfactorily accomplished and requests that payment in the amount of \$_____ be made to the contractor, (Name).

On (Date), the BLM accepted a \$_____ personal bond and power of attorney, secured by a (Treasury security, LOC, CD), from the above obligor (BLM Bond No.). The cash proceeds from the *security were placed in this office's suspense account on (Date).

We hereby advise the obligor named above that, in accordance with the terms of the personal bond and power of attorney and regulations at 43 CFR 3104.1(c)(4), we are appropriating the \$_____ proceeds for failure of the obligor to adequately reclaim well number ____.

Payment in the amount of \$_____ is being made out of the bond proceeds to (Name of contractor), as reimbursement for the reclamation work. A fee of 25 percent, or \$_____, has also been assessed against the bond proceeds as an administrative cost. The balance of the bond proceeds, if any, will remain in this office's suspense account for future reclamation until all surface restoration has been completed and the location is approved for final abandonment.

Authorized Officer

Distribution: ,
Obligor
Contractor
Field Office Operations
Accounts
Procurement
Lease Case File (if individual bond)

*NOTE: If the original security is a negotiable Treasury Security, the funds should be obtained by requesting return of the security from the Business Center Negotiable Securities Custodian (BC-610), or redemption from a financial institution as discussed in Section V of this User Guide.

Illustration 78
(XVIII.E.3)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

Memorandum

To Minerals Management Service, Royalty Management Program
Attention: Chief, Debt Collection Section (MS 3132)

From: State Director (Fluid Minerals Adjudication Code)

Subject: Collection Under Bond

By memorandum dated (Date), you requested that we initiate collection procedures under applicable bonds for Bill No. _____ which was due (Date).

We have determined that the administrative costs of collecting which are \$_____ exceed the amount due, \$_____. Such a collection effort would result in a negative cost benefit to the U.S. Government. Therefore, we are not instituting collection action. We request that your office write off this debt collection action since it is less than the threshold amount which is \$_____.

Distribution:
Each affected lease case file

Illustration 79
(XVIII.E.4)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No.

Lease Serial No

Memorandum

To: Applicable Field Offices and State Offices
From: State Director (Fluid Minerals Adjudication Code)
Subject: Review of Liability Under Bond _____

The (Name of BLM Office) has determined a default in (Type of default)
for the captioned lease and has requested initiation of collection
procedures under the applicable bond(s).

Please respond within 15 days if there are any other liabilities under this
bond due to leasehold operations. If your response will take longer than 15
days, please notify (Contact person and telephone number) to advise us
when your completed respond to this request will be fulfilled.

Distribution:
Each affected lease case file

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
(LETTERHEAD - ADDRESS)

3104 (Office Code)

BLM Bond No

Lease Serial No

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

Principal/Obligor:

Surety Bond No.:

Bond Amount

Bond Type:

Surety: (if required)

Pavment Required Royalty Default on Lease

The Minerals Management Service has advised this office that (Name) is in default of royalty obligations on oil and gas leases (Lease serial number(s)). The total obligation owed by the principal is as follows:

Royalty/Interest/Penalty: Total \$_____

Thirty days are allowed in which to submit the total amount due to the following office:

BLM, _____ State Office
Attention: (Name of contact person)
Address

Please refer to MMS Invoice No. _____ when remitting payment. If payment is not received within 30 days following the date of receipt of this notice, this matter will be referred to the Department of the Interior's Office of the Solicitor with a recommendation to pursue this default judicially, including subjecting all leases covered by the bond to cancellation.

Authorized officer

Distribution:

Principal
Surety (c/o Attorney-in-fact)
MMS-DMD
Each affected case file

NOTE If the applicable bond is a personal bond, the notice is to indicate that if the royalty obligation is not paid within the time allowed, the personal bond will be appropriated to satisfy the outstanding obligation.

H-3104-1 - BONDS

Format for Accounting Advice Transferring Monies
to MMS for Royalties

Form 1370-41
(March 1984)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIPT AND ACCOUNTING ADVICE

NO. 1420072 25

Subject: PENALTY/LATE ROYALTY PAYMENT

Amount Received Code 8 20,930.90

Applicant: GHI Oil Co. Trust:
1500 Holiday Tower
Anywhere, TX 75201

Remitter: SAME

Assignor:

LEASE MANAGEMENT DATA										
<input type="checkbox"/> NEW <input type="checkbox"/> UPDATE <input checked="" type="checkbox"/> PAYMENT										
ORIGINAL SERIAL NO.	ASG.	TYPE	ST.	CTY.	FUND SYMBOL			ACRES/UNITS	RATE	
MTM 39100										
AMOUNT	ANV. DATE	EXP. DATE	BILL CYC.	S/C	DISTRICT	NEXT BILL	MISC. DATA	U of M	ACTUAL UNITS	
ASSIGNMENT SERIAL NO.	ASG.	TYPE	ST.	CTY.	FUND SYMBOL			ACRES/UNITS	RATE	
AMOUNT	ANV. DATE	EXP. DATE	BILL CYC.	S/C	DISTRICT	NEXT BILL	MISC. DATA	U of M	ACTUAL UNITS	

APPLY REMITTANCE			
ACTION	FUND SYMBOL	CTY.	AMOUNT
FILING FEE			
RENTAL			
MMS-Penalty LATE ROYALTY Payments UNEARNED			\$20,930.90
REFUND			
TOTAL			
AMOUNT DUE			

Remarks:

Form 1081 prepared to transfer monies to MMS.

Per request from MMS, demand made against surety bond. Co-lessee, GHI Oil Co. Trust, submitted payment which constitutes penalty for late royalty payments.

BY: Jane Adjudicator

DATE: 2/24/89

- Lease in Escrow?
- NGS?
- Auto Escalates?
- Auto Renew?

- Of Interest?
- Operating Rights?
- Operator
- Bond Filed?

FOR MMS USE ONLY

BILLEE	FOREST REFUGE
NUMBER	
OCS SECTION	
CODE	

H-3104-1 - BONDS

Sample Telefax Message and Conversation Record for Notifying
MMS of Receipt of Monies Paid for Royalty Default

TELEFAX MESSAGE

TO: MMS
FAD/PAB/AR, MAIL STOP 652
ATTN: JAMES SHEETS

FROM: BLM, Montana State Office, 222 N. 32 Street, Box 36800, Billings, MT 59107

NAME: JANE ADJUDICATOR OFFICE CODE: 920

NUMBER OF PAGES TO FOLLOW: 1

DATE: 5/8/89

SPECIAL INSTRUCTIONS: Funds will be transferred on a
Form 1081 to the Service Center

If there is a problem, call: COM 406-255-2761
FTS 588-7761

TELEFAX # :
(303) 231-3216

H-3104-1 - BONDS

Oil and Gas or Geothermal Lease Bond,
Form 3000-4 (June 1987 Edition)

<p>Form 3000-4 (June 1987) (Formerly 3104-1, 3104-2, 3104-8, 3106-4, 3200-12, 3200-13, 3200-16)</p>	<p>UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT</p> <p>OIL AND GAS OR GEOTHERMAL LEASE BOND</p> <p>Act of February 25, 1920 (30 U.S.C. 181 et seq.) Act of August 7, 1947 (30 U.S.C. 351-359) Department of the Interior Appropriations Act, FY 1981 (94 Stat. 2959) Act of December 24, 1970 (30 U.S.C. 1001-1025) Other Oil and Gas and Geothermal Leasing Authorities as Applicable</p>	<p>Bond Number _____</p> <hr/> <p>Lease Serial Number (For Individual Bond Only) _____</p>
---	---	--

CHECK ONE: OIL AND GAS GEOTHERMAL RESOURCES

CHECK ONE:
 SURETY BOND

KNOW ALL BY THESE PRESENTS, THAT _____ (name)
of _____ (address)
as principal, and _____ (name)
of _____ (address), as surety,
are held and firmly bound unto the United States of America in the sum of _____
dollars (\$ _____),
lawful money of the United States, which may be increased or decreased by a rider hereto executed in the same manner as this bond.

PERSONAL BOND
IN THE FORM OF (CHECK ONE) CASH or NEGOTIABLE SECURITIES

KNOW ALL BY THESE PRESENTS, That _____ (name)
of _____ (address), as obligor, is held and firmly
bound unto the United States of America in the sum of _____
dollars (\$ _____), lawful money of the United States which sum may be
increased or decreased by a rider hereto executed in the same manner as this bond.

The obligor, in order to more fully secure the United States in the payment of the aforesaid sum, hereby pledges as security therefor United States negotiable securities or cash, of a par value equal to the amount specified.

The obligor, pursuant to the authority conferred by Section 1 of the Act of September 13, 1982 (31 U.S.C. 9303), does hereby constitute and appoint the Secretary of the Interior to act as his attorney. The interest accruing on the United States securities deposited, in the absence of any default in the performance of any of the conditions, or stipulations set forth in this bond and the instrument(s) granting rights and interests in Federal lands, must be paid to the obligor. The obligor hereby for himself/herself, any heirs, executors, administrators, successors, and assigns, joint and severally, ratifies and confirms whatever the Secretary shall do by virtue of these presents.

The principal/surety shall apply this bond or the Secretary shall transfer this deposit as security for the faithful performance of any and all of the conditions and stipulations as set forth in this bond and the instruments granting rights and interests in Federal lands. In the case of any default in the performance of the conditions and stipulations of such undertaking, it is agreed that: (1) for a Surety Bond, the surety/principal shall apply the bond or any portion thereof; (2) for a Personal Bond, the Secretary shall have full power to assign, appropriate, apply or transfer the deposit or any portion thereof, to the satisfaction of any damages, assessments, late payment charges, penalties, or deficiencies arising by reason of such default.

This bond is required for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas and geothermal deposits to the United States; (3) any lessee, permittee, or contractor, under a lease, permit, or resource sale contract issued, or to be issued, by the United States covering the same land subject to this bond, covering the use of the surface or the prospecting for, or the development of other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves and each of our heirs, executors, administrators, successors, and assigns, jointly and severally.

CHECK ONE:

NATIONWIDE BOND — This bond shall cover all operations conducted on Federal land by or on behalf of the principal/obligor in the United States except the National Petroleum Reserve in Alaska (NPR-A) and provided a rider is obtained, coverage of multiple exploration operations.

STATEWIDE BOND — This bond shall cover all operations conducted on Federal land by or on behalf of the principal/obligor except the NPR-A and, provided a rider is obtained, also shall cover multiple explorations within the single State of _____.

INDIVIDUAL BOND — This bond shall cover all operations conducted by or on behalf of the principal/obligor on the single lease identified by serial number above.

NATIONAL PETROLEUM RESERVE IN ALASKA (NPR-A) BOND — This bond shall cover:

NPR-A LEASE BOND — The terms and conditions of a single lease.

NPR-A WIDE BOND — The terms and conditions of all leases, and provided a rider is obtained, coverage of multiple exploration operations.

(Continued on reverse)

H-3104-1 - BONDS

Oil and Gas or Geothermal Lease Bond

Form 3000-4 (June 1987 Edition)

BOND CONDITIONS

The conditions of the foregoing obligations are such that:

WHEREAS the obligor/principal has an interest in a lease(s) and/or responsibility for operations on a lease(s) issued under the Acts cited in this bond; and

WHEREAS the obligor/principal and surety agree(s) that without notice to the obligor/surety the coverage of this bond, in addition to the present holding(s) of and/or authorization(s) granted to the obligor/principal, shall extend to and include:

1. Any lease(s) hereafter issued to or acquired by the obligor/principal except under individual lease bonds, the coverage is to be confined to the obligor's/principal's holding(s) and/or authorization(s) granted under the Acts cited in this bond, and to become effective immediately upon such authorization, approval or issuance of a transfer in favor of the obligor/principal; and
2. Any transfer(s) of operating rights or operating agreement(s) hereafter entered into or acquired by the obligor/principal affecting lease(s); and
3. Any designation subsequent hereto of the obligor/principal as operator of a lessee under a lease(s) issued pursuant to the Acts cited in this bond; and

Provided, That the surety may elect to terminate the additional coverage authorized under this paragraph. Such termination will become effective 30 days after the BLM receives notice of the election to terminate. After the termination becomes effective, the additional interest(s) identified in this paragraph will not be covered by this bond; and

WHEREAS the obligor/surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:

1. Any assignment(s) of an undivided interest in any part or all of the lands in the lease(s), in which event the assignee(s) shall be considered to be coprincipal(s) on this bond as fully and to the same extent as though his/her or their duly authenticated signatures appeared thereon; and
2. Any assignment(s) of 100% of some of the lands described in the lease(s), the bond to remain in full force and effect only as to the lands retained in the lease(s); and
3. Any transfer(s) either in whole or in part, of any or all of the operating rights/agreements and further agrees to remain bound under this bond as to the interests in the operating rights/agreements retained by the principal; and
4. Any modification of a lease or operating right/agreement, or obligation thereunder, whether made or effected by commitment of lease or operating right/agreement to unit, cooperative, communitization or storage agreements, or development contracts, suspensions of operations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and

5. Any extension of a lease(s) covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease(s);

WHEREAS the obligor/principal and surety hereby agree(s) that notwithstanding the termination of any lease(s), operating right(s)/agreements or designations as operator by this bond, whether the termination is by operation of law or otherwise, the bond shall remain in full force and effect as to the terms and conditions of all remaining leases, obligations, operating agreements, or designations covered by the bond; and

WHEREAS the obligor/principal, as to any lease or part of a lease for lands to which he/she has been designated as operator, or approved as operator, in consideration of being permitted to furnish this bond in lieu of the lessees, agrees and by these presents does hereby bind himself/herself to fulfill on behalf of each lessee all obligations of such for the entire leasehold in the same manner and to the same extent as though he/she were the lessee; and

WHEREAS the obligor/principal and surety agree(s) that the neglect or forbearance of said lessor in enforcing, as against the lessees of such lessor, the payment of rentals or royalties or the performance of any other term, condition or agreement of the lease(s) shall not, in any way, release the obligor/principal and surety, or either of them from any liability under this bond; and

WHEREAS the obligor/principal and surety agree(s) that in the event of any default under the lease(s) the lessor may commence and prosecute any claim, suit, or other proceeding against the obligor/principal and surety or either of them, without the necessity of joining the lessees(s); and

WHEREAS if the obligor/principal fails to comply with any provisions of an oil and gas lease, and the noncompliance continues for thirty (30) days after written notice thereof, such lease shall be subject to cancellation and the obligor/principal shall also be subject to applicable provisions and penalties of the Federal Oil and Gas Royalty Management Act (30 U.S.C. 1701 et seq.). This provision shall not be construed to prevent the exercise by the United States of any other legal and equitable remedy, including waiver of the default.

NOW, THEREFORE If said obligor principal, his/her heirs, executors administrators, successors, or assigns shall in all respects faithfully comply with all of the provisions of the instrument(s) granting rights and interests in Federal lands referred to above, then the obligations are to be void; otherwise to remain in full force and effect.

4. Signed this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

_____	_____ (Principal/Obligor) (L.S.)
_____	_____ (Business Address)
_____	_____ (Surety) (L.S.)
_____	_____ (Business Address)

If this bond is executed by a corporation, it must bear the seal of that corporation.

H-3104-1 - BONDS

State, Nationwide, or National Petroleum Reserve in
Alaska Oil and Gas Bond, Form 3104-8 (July 1984 Edition)

Form 3104-8
(July 1984)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

STATE, NATIONWIDE, OR NATIONAL PETROLEUM RESERVE
IN ALASKA OIL AND GAS BOND
Act of February 25, 1920 (30 U.S.C. Sec. 181)
Act of August 7, 1947 (30 U.S.C. Sec. 351)
Department of the Interior Appropriations Act, Fiscal Year 1981 (P.L. 96-514)
Other Oil and Gas Leasing Authorities as Applicable

KNOW ALL MEN BY THESE PRESENTS, That we

of

as principal, and

of

as surety, are held and firmly bound unto the United States of America in the sum of _____ dollars (\$ _____), in lawful money of the United States, which sum may be increased or decreased by a rider hereto executed in the same manner as this bond, for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas deposits to the United States; and (3) any lessee or permittee under a lease or permit issued by the United States prior to the issuance of an oil and gas lease for the same land subject to this bond, covering the use of the surface or the prospecting for, or development of, other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves, and each of our heirs, executors, administrators, and successors, jointly and severally.

The coverage of this bond shall extend to all of the principal's holdings of federal oil and gas leases in the United States, including Alaska, issued or acquired under the Acts cited in Schedule A.

- The coverage of this bond extends only to the principal's holdings of federal oil and gas leases issued or acquired under the Acts cited and in the States named in Schedule A and to any other State or States that may be named in a rider attached hereto by the lessor with the consent of the surety.

The coverage of this bond extends only to the principal's holdings of federal oil and gas leases within the National Petroleum Reserve in Alaska.

SCHEDULE A

Mineral Leasing Act of February 25, 1920 (30 U.S.C. Sec. 181), Acquired Lands Leasing Act of August 7, 1947 (30 U.S.C. Sec. 351), and other oil and gas leasing authorities as applicable.

NAMES OF STATES

The conditions of the foregoing obligations are such that, whereas the said principal has an interest in oil and gas leases issued under the Acts cited in this bond: (1) as lessee; (2) as the approved holder of operating rights in all or part of the lands covered by such leases under operating agreements with the lessees; or (3) as designated operator or agent under such leases pending approval of an assignment or operating agreement; and

WHEREAS the principal is authorized to drill for, mine, ex-

tract, remove, and dispose of oil and gas deposits in or under the lands covered by the leases, operating agreements or designations and is obligated to comply with certain covenants and agreements set forth in such instruments; and

WHEREAS the principal and surety agree that without notice to the surety the coverage of this bond, in addition to the present holdings of the principal, shall extend to and include:

H-3104-1 - BONDS

State, Nationwide, or National Petroleum Reserve in
Alaska Oil and Gas Bond, Form 3104-8 (July 1984 Edition)

1. Any oil and gas lease hereafter issued to, or acquired by the principal in the States now named in Schedule A, or later named in a rider, the coverage to be confined to the principal's holdings under the Acts cited and to become effective immediately upon such issuance or upon departmental approval of a transfer in favor of the principal.

2. Any operating agreement hereafter entered into or acquired by the principal affecting oil and gas leases in the States now named in Schedule A, or later named in a rider. The coverage shall become effective immediately upon departmental approval of the agreement or of a transfer of an operating agreement to the principal.

3. Any designation subsequent hereto of the principal as operator or agent of a lessee under a lease issued pursuant to the Acts cited and covering lands in a State named in Schedule A, either presently or by rider. This coverage shall become effective immediately upon the filing of such a designation under a lease.

4. Any extension of a lease covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease.

Provided, that the surety may elect to have the additional coverage authorized under this paragraph become inapplicable as to all interests of the principal acquired more than thirty (30) days after the receipt of notice of such election by the Bureau of Land Management.

The surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:

1. A transfer or transfers, either in whole or in part, of any or all of the leases, or of the operating agreements, and further agrees to remain bound under this bond as to the interests either in the leases or in the operating agreements, or in both, retained by the principal when the approval of the transfer or transfers become effective.

2. Any modification of a lease or operating agreement, or obligations thereunder, whether made or effected by commitment of such lease or operating agreement to unit, cooperative, communitization or storage, agreements, or development contracts, suspensions of operations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and

WHEREAS the principal and surety hereby agree that notwithstanding the termination of any lease or leases, operating agreements or designations as operator or agent, covered by this bond, whether the termination is by operation of law or otherwise, the bond shall remain in full force and effect as to all remaining leases, operating agreements, or designations covered by the bond; and

WHEREAS the principal, as to any lease or part of a lease for lands as to which he has been designated as operator or agent, or approved as operator, in consideration of being permitted to furnish this bond in lieu of the lessees, agrees and by these presents does hereby bind himself to fulfill on behalf of each lessee all obligations of each such lease for the entire leasehold in the same manner and to the same extent as though he were the lessee; and

WHEREAS the principal and surety agree that the neglect or forbearance of said lessor in enforcing, as against the lessees of such lessor, the payment of rentals or royalties or the performance of any other covenant, condition or agreement of the leases, shall not, in any way, release the principal and surety, or either of them, from any liability under this bond; and

WHEREAS the principal and surety agree that in the event of any default under the leases, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the lessees.

NOW, THEREFORE, IF said principle shall in all respects faithfully comply with all of the provisions of the leases referred to hereinbefore, then the above obligations are to be void; otherwise to remain in full force and effect.

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

_____	_____ (Principal) (L.S.)
_____	_____ (Business Address)
_____	_____ (Surety) (L.S.)
_____	_____ (Business Address)

H-3104-1 - BONDS

State, Nationwide, or National Petroleum Reserve in Alaska
 Oil and Gas Bond, Form 3104-8 (November 1981 Edition)

Form 3104-8
 (November 1981)

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

STATE, NATIONWIDE, OR NATIONAL PETROLEUM RESERVE
 IN ALASKA OIL AND GAS BOND

Act of February 25, 1920 (30 U.S.C. Sec. 181)
 Act of August 7, 1947 (30 U.S.C. Sec. 351)
 Department of the Interior Appropriations Act, Fiscal Year 1981 (P.L. 96-514)

KNOW ALL MEN BY THESE PRESENTS, That we

of

as principal, and

of

as surety, are held and firmly bound unto the United States of America in the sum of TWENTY FIVE THOUSAND AND NO/100-----dollars (\$ 25,000.00-----), lawful money of the United States, which sum may be increased or decreased by a rider hereto executed in the same manner as this bond, for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas deposits to the United States; and (3) any lessee or permittee under a lease or permit issued by the United States prior to the issuance of an oil and gas lease for the same land subject to this bond, covering the use of the surface or the prospecting for, or development of, other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally.

- The coverage of this bond shall extend to all of the principal's holdings of federal oil and gas leases in the United States, including Alaska, issued or acquired under the Acts cited in Schedule A.
- The coverage of this bond extends only to the principal's holdings of federal oil and gas leases issued or acquired under the Acts cited and in the States named in Schedule A and to any other State or States that may be named in a rider attached hereto by the lessor with the consent of the surety.
- The coverage of this bond extends only to the principal's holdings of federal oil and gas leases within the National Petroleum Reserve in Alaska.

SCHEDULE A

Public Domain Leasing Act of February 25, 1920 (30 U.S.C. Sec. 181)	Acquired Lands Leasing Act of August 7, 1947 (30 U.S.C. Sec. 351)
NAMES OF STATES	NAMES OF STATES
Utah	Utah

RECEIVED
 UTAH STATE OFFICE
 SALT LAKE CITY, UTAH
 FEB 10 10 00 AM 1981
 DEPT OF INTERIOR
 BUREAU OF LAND MGMT

The conditions of the foregoing obligations are such that, whereas the said principal has an interest in oil and gas leases issued under the Act or Acts cited in this bond: (1) as lessee; (2) as the approved holder of operating rights in all or part of the lands covered by such leases under operating agreements with the lessees; or (3) as designated operator or agent under such leases pending approval of an assignment or operating agreement; and

WHEREAS the principal is authorized to drill for mine ex-

tract, remove, and dispose of oil and gas deposits in or under the lands covered by the leases, operating agreements or designations and is obligated to comply with certain covenants and agreements set forth in such instruments; and

WHEREAS the principal and surety agree that without notice to the surety the coverage of this bond, in addition to the present holdings of the principal, shall extend to and include:

H-3104-1 - BONDS

State, Nationwide, or National Petroleum Reserve in Alaska

Oil and Gas Bond, Form 3104-8 (November 1981 Edition)

1. Any oil and gas lease hereafter issued to, or acquired by the principal in the States now named in Schedule A, or later named in a rider, the coverage to be confined to the principal's holdings under the Act or Acts cited at the head of the column in which the name of the State appears and to become effective immediately upon such issuance or upon departmental approval of a transfer in favor of the principal.

2. Any operating agreement hereafter entered into or acquired by the principal affecting oil and gas leases in the States now named in Schedule A, or later named in a rider. The coverage shall become effective immediately upon departmental approval of the agreement or of a transfer of an operating agreement to the principal.

3. Any designation subsequent hereto of the principal as operator or agent of a lessee under a lease issued pursuant to the Act or Acts cited and covering lands in a State named in Schedule A, either presently or by rider. This coverage shall become effective immediately upon the filing of such a designation under a lease.

4. Any extension of a lease covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease.

Provided, that the surety may elect to have the additional coverage authorized under this paragraph become inapplicable as to all interests of the principal acquired more than thirty (30) days after the receipt of notice of such election by the Bureau of Land Management.

The surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:

1. A transfer or transfers, either in whole or in part, of any or all of the leases, or of the operating agreements, and further agrees to remain bound under this bond as to the interests either in the leases or in the operating agreements, or in both, retained by the principal when the approval of the transfer or transfers become effective.

2. Any modification of a lease or operating agreement, or obligations thereunder, whether made or effected by commitment of such lease or operating agreement to unit, cooperative, communitization or storage, agreements, or development contracts, suspensions of operations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and

WHEREAS the principal and surety hereby agree that notwithstanding the termination of any lease or leases, operating agreements or designations as operator or agent, covered by this bond, whether the termination is by operation of law or otherwise, the bond shall remain in full force and effect as to all remaining leases, operating agreements, or designations covered by the bond; and

WHEREAS the principal, as to any lease or part of a lease for lands as to which he has been designated as operator or agent, or approved as operator, in consideration of being permitted to furnish this bond in lieu of the lessees, agrees and by these presents does hereby bind himself to fulfill on behalf of each lessee all obligations of each such lease for the entire leasehold in the same manner and to the same extent as though he were the lessee; and

WHEREAS the principal and surety agree that the neglect or forbearance of said lessor in enforcing, as against the lessees of such lessor, the payment of rentals or royalties or the performance of any other covenant, condition or agreement of the leases, shall not, in any way, release the principal and surety, or either of them, from any liability under this bond; and

WHEREAS the principal and surety agree that in the event of any default under the leases, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the lessees.

NOW, THEREFORE, IF said principle shall in all respects faithfully comply with all of the provisions of the leases referred to hereinbefore, then the above obligations are to be void; otherwise to remain in full force and effect.

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

(Principal) (L.S.)

(Business Address)

(Surety) (L.S.)

(Business Address)

H-3104-1 - BONDS

State or Nationwide Oil and Gas Bond,
Form 3104-8 (February 1971 Edition)

Form 3104-8
(February 1971)
(formerly 3120-20)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

STATE OR NATIONWIDE OIL AND GAS BOND
*Act of February 25, 1920 (30 U.S.C. Sec. 181);
Act of August 7, 1947 (30 U.S.C. Sec. 351)*

KNOW ALL MEN BY THESE PRESENTS, That we

of

as principal, and
of

as surety, are held and firmly bound unto the United States of America in the sum of

dollars (\$ _____), lawful money

of the United States, which sum may be increased or decreased by a rider hereto executed in the same manner as this bond, for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas deposits to the United States; and (3) any lessee or permittee under a lease or permit issued by the United States prior to the issuance of an oil and gas lease for the same land subject to this bond, covering the use of the surface or the prospecting for, or development of, other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves, and each of our heirs, executors, administrators, successors and assigns, jointly and severally.

If the amount of this bond is \$150,000 or if it is increased to that amount, the coverage shall extend to all of the principal's holdings of federal oil and gas leases in the United States, including Alaska, under the Acts cited in Schedule A.

If the amount of this bond is less than \$150,000, its coverage extends only to the principal's holdings of federal oil and gas leases in the States named in Schedule A and to any other State or States that may be named in a rider attached hereto by the lessor with the consent of the surety.

SCHEDULE A

Public Domain Leasing Act of February 25, 1920
(30 U.S.C. Sec. 181)

NAMES OF STATES

Acquired Lands Leasing Act of August 7, 1947
(30 U.S.C. Sec. 351)

NAMES OF STATES

The conditions of the foregoing obligations are such that, whereas the said principal has an interest in oil and gas leases issued under the Act or Acts cited in Schedule A of this bond: (1) as lessee; (2) as the approved holder of operating rights in all or part of the lands covered by such leases under operating agreements with the lessees; or (3) as designated operator or agent under such leases pending approval of an assignment or operating agreement; and

WHEREAS the principal is authorized to drill for, mine, extract, remove, and dispose of oil and gas deposits in or under the lands covered by the leases, operating agreements or designations and is obligated to comply with certain covenants and agreements set forth in such instruments; and

WHEREAS the principal and surety agree that without notice to the surety the coverage of this bond, in addition to the present holdings of the principal, shall extend to and include:

1. Any oil and gas lease hereafter issued to, or acquired by the principal in the States now named in Schedule A, or later named in a rider, the coverage to be confined to the principal's holdings under the Act or Acts cited at the head of the column in which the name of the State appears and to become effective immediately upon such issuance or upon departmental approval of a transfer in favor of the principal.

2. Any operating agreement hereafter entered into or acquired by the principal affecting oil and gas leases in the States now named in Schedule A, or later named in a rider. The coverage shall become

H-3104-1 - BONDS

State or Nationwide Oil and Gas Bond,
Form 3104-8 (February 1971 Edition)

effective immediately upon departmental approval of the agreement or of a transfer of an operating agreement to the principal.

3. Any designation subsequent hereto of the principal as operator or agent of a lessee under a lease issued pursuant to the Act or Acts cited in Schedule A and covering lands in a State named in Schedule A, either presently or by rider. This coverage shall become effective immediately upon the filing of such a designation under a lease.

4. Any extension of a lease covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease.

Provided, that the surety may elect to have the additional coverage authorized under this paragraph become inapplicable as to all interests of the principal acquired more than thirty (30) days after the receipt of notice of such election by the Bureau of Land Management.

The surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:

1. A transfer or transfers, either in whole or in part, of any or all of the leases, or of the operating agreements, and further agrees to remain bound under this bond as to the interests either in the leases or in the operating agreements, or in both, retained by the principal when the approval of the transfer or transfers become effective.

2. Any modification of a lease or operating agreement, or obligations thereunder, whether made or effected by commitment of such lease or operating agreement to unit, cooperative, communitization or storage, agreements, or development contracts, suspensions of operations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and

WHEREAS the principal and surety hereby agree that notwithstanding the termination of any lease or leases, operating agreements or designations as operator or agent, covered by this bond, whether the termination is by operation of law or otherwise, the bond shall remain in full force and effect as to all remaining leases, operating agreements, or designations covered by the bond; and

WHEREAS the principal, as to any lease or part of a lease for lands as to which he has been designated as operator or agent, or approved as operator, in consideration of being permitted to furnish this bond in lieu of the lessees, agrees and by these presents does hereby bind himself to fulfill on behalf of each lessee all obligations of each such lease for the entire leasehold in the same manner and to the same extent as though he were the lessee; and

WHEREAS the principal and surety agree that the neglect or forbearance of said lessor in enforcing, as against the lessees of such lessor, the payment of rentals or royalties or the performance of any other covenant, condition or agreement of the leases, shall not, in any way, release the principal and surety, or either of them, from any liability under this bond; and

WHEREAS the principal and surety agree that in the event of any default under the leases, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the lessees.

NOW, THEREFORE, IF said principal shall in all respects faithfully comply with all of the provisions of the leases referred to hereinbefore, then the above obligations are to be void; otherwise to remain in full force and effect.

Signed on this day of

19 in the presence of:

NAME AND ADDRESSES OF WITNESSES

(Principal) (L.S.)

(Business address)

(Surety) (L.S.)

(Business address)

H-3104-1 - BONDS

State or Nationwide Oil and Gas Bond,
Form 3120-20 (September 1966 Edition)

Form 3120-20
(September 1966)
(formerly 4-1183)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

STATE OR NATIONWIDE OIL AND GAS BOND
*Act of February 25, 1920 (30 U.S.C. Sec. 181);
Act of August 7, 1947 (30 U.S.C. Sec. 351)*

KNOW ALL MEN BY THESE PRESENTS, That we

of

as principal, and

of

as surety, are held and firmly bound unto the United States of America in the sum of _____ dollars (\$ _____), lawful money

of the United States, which sum may be increased or decreased by a rider hereto executed in the same manner as this bond, for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas deposits to the United States; and (3) any lessee or permittee under a lease or permit issued by the United States prior to the issuance of an oil and gas lease for the same land subject to this bond, covering the use of the surface or the prospecting for, or development of, other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves, and each of our heirs, executors, administrators, successors and assigns, jointly and severally.

If the amount of this bond is \$150,000 or if it is increased to that amount, the coverage shall extend to all of the principal's holdings of federal oil and gas leases in the United States, including Alaska, under the Acts cited in Schedule A.

If the amount of this bond is less than \$150,000, its coverage extends only to the principal's holdings of federal oil and gas leases in the States named in Schedule A and to any other State or States that may be named in a rider attached hereto by the lessor with the consent of the surety.

SCHEDULE A

Public Domain Leasing Act of February 25, 1920
(30 U.S.C. Sec. 181)

NAMES OF STATES

Acquired Lands Leasing Act of August 7, 1947
(30 U.S.C. Sec. 351)

NAMES OF STATES

The conditions of the foregoing obligations are such that, whereas the said principal has an interest in oil and gas leases issued under the Act or Acts cited in Schedule A of this bond: (1) as lessee; (2) as the approved holder of operating rights in all or part of the lands covered by such leases under operating agreements with the lessees; or (3) as designated operator or agent under such leases pending approval of an assignment or operating agreement; and

WHEREAS the principal is authorized to drill for, mine, extract, remove, and dispose of oil and gas deposits in or under the lands covered by the leases, operating agreements or designations and is obligated to comply with certain covenants and agreements set forth in such instruments; and

WHEREAS the principal and surety agree that without notice to the surety the coverage of this bond, in addition to the present holdings of the principal, shall extend to and include:

1. Any oil and gas lease hereafter issued to, or acquired by the principal in the States now named in Schedule A, or later named in a rider, the coverage to be confined to the principal's holdings under the Act or Acts cited at the head of the column in which the name of the State appears and to become effective immediately upon such issuance or upon departmental approval of a transfer in favor of the principal.

2. Any operating agreement hereafter entered into or acquired by the principal affecting oil and gas leases in the States now named in Schedule A, or later named in a rider. The coverage shall become

H-3104-1 - BONDS

State or Nationwide Oil and Gas Bond,
Form 3120-20 (September 1966 Edition)

effective immediately upon departmental approval of the agreement or of a transfer of an operating agreement to the principal.

3. Any designation subsequent hereto of the principal as operator or agent of a lessee under a lease issued pursuant to the Act or Acts cited in Schedule A and covering lands in a State named in Schedule A, either presently or by rider. This coverage shall become effective immediately upon the filing of such a designation under a lease.

4. Any extension of a lease covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease.

Provided, that the surety may elect to have the additional coverage authorized under this paragraph become inapplicable as to all interests of the principal acquired more than thirty (30) days after the receipt of notice of such election by the Bureau of Land Management.

The surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:

1. A transfer or transfers, either in whole or in part, of any or all of the leases, or of the operating agreements, and further agrees to remain bound under this bond as to the interests either in the leases or in the operating agreements, or in both, retained by the principal when the approval of the transfer or transfers become effective.

2. Any modification of a lease or operating agreement, or obligations thereunder, whether made or effected by commitment of such lease or operating agreement to unit, cooperative, communitization or storage, agreements, or development contracts, suspensions of operations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and

WHEREAS the principal and surety hereby agree that notwithstanding the termination of any lease or leases, operating agreements or designations as operator or agent, covered by this bond, whether the termination is by operation of law or otherwise, the bond shall remain in full force and effect as to all remaining leases, operating agreements, or designations covered by the bond; and

WHEREAS the principal, as to any lease or part of a lease for lands as to which he has been designated as operator or agent, or approved as operator, in consideration of being permitted to furnish this bond in lieu of the lessees, agrees and by these presents does hereby bind himself to fulfill on behalf of each lessee all obligations of each such lease for the entire leasehold in the same manner and to the same extent as though he were the lessee; and

WHEREAS the principal and surety agree that the neglect or forbearance of said lessor in enforcing, as against the lessees of such lessor, the payment of rentals or royalties or the performance of any other covenant, condition or agreement of the leases, shall not, in any way, release the principal and surety, or either of them, from any liability under this bond; and

WHEREAS the principal and surety agree that in the event of any default under the leases, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the lessees.

NOW, THEREFORE, IF said principal shall in all respects faithfully comply with all of the provisions of the leases referred to hereinbefore, then the above obligations are to be void; otherwise to remain in full force and effect.

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

(Principal) (L.S.)

(Business address)

(Surety) (L.S.)

(Business address)

H-3104-1 - BONDS

Nationwide Personal Oil and Gas Lease Bond,

Form 3106-4 (February 1987 Edition)

Form 3106-4
(February 1987)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NATIONWIDE PERSONAL OIL AND GAS LEASE BOND

KNOW ALL MEN BY THESE PRESENTS, That

of _____ as obligor, is held and firmly bound unto
the United States of America in the sum of _____ dollars

(\$ _____), lawful money of the United States which sum may be increased or decreased by a rider hereto executed in the same manner as this bond, for the use and benefit of

1. the United States;
2. any owner of a portion of the land subject to the coverage of this bond who has a statutory right to compensation in connection with a reservation of oil and gas deposits to the United States; and
3. any lessee or permittee under a lease or permit issued by the United States prior to the issuance of an oil and gas lease for the same land subject to this bond covering the use of the surface, or the prospecting for, or development of, other mineral deposits in any portion of such land, to be paid to the United States.

For such payment, well and truly to be made, he binds himself, his heirs, executors, administrators, and successors, jointly and severally, by these presents.

If the amount of this bond is \$150,000, or if it is raised by an attached rider to that amount, the coverage shall extend to all the obligor's holdings involving oil and gas deposits in the United States, including Alaska, under the Acts cited in Schedule A.

If the amount of this bond is less than \$150,000, its coverage extends only to the obligor's holdings involving oil and gas deposits in the State or States named in Schedule A and to any other State or States that may be named in a rider attached hereto. Furthermore, such coverage is confined to the obligor's holdings under the Acts cited or other oil and gas leasing authorities as may be applicable.

SCHEDULE A

Mineral Leasing Act of February 25, 1920 (30 U.S.C. Sec. 181), Acquired Lands Leasing Act of August 7, 1947 (30 U.S.C. Sec. 351), and other oil and gas leasing authorities as applicable.

NAMES OF STATE:

WHEREAS the obligor agrees that the coverage of this bond, in addition to the present holdings of the obligor shall extend to and include:

1. Any oil and gas lease hereafter issued to, or acquired by, the obligor affecting oil and gas deposits in the State or States now named in Schedule A, or later named in a rider, the coverage to be confined in the obligor's holdings under the Acts cited at the head of the column in which the name(s) of the State or States appears and to become effective immediately upon such issuance or upon departmental approval of a transfer in favor of the obligor.

2. Any operating rights hereafter entered into or acquired by the obligor, affecting oil and gas deposits in the States now named in Schedule A, or later named in a rider, relating to oil and gas leases issued under the Acts cited in Schedule A. The coverage shall become effective immediately upon departmental approval of the transfer of an operating right to the obligor.

H-3104-1 - BONDS

Nationwide Personal Oil and Gas Lease Bond,
Form 3106-4 (September 1966 Edition)

Form 3106-4
(September 1966)
(Formerly 4-1168)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NATIONWIDE PERSONAL OIL AND GAS LEASE BOND

KNOW ALL MEN BY THESE PRESENTS, That

of _____, as obligor, is held and firmly bound unto
the United States of America in the sum of _____ dollars

(\$ _____), lawful money of the United States which sum may be increased or decreased by a rider hereto executed in the same manner as this bond, for the use and benefit of

1. the United States;
2. any owner of a portion of the land subject to the coverage of this bond who has a statutory right to compensation in connection with a reservation of oil and gas deposits to the United States; and
3. any lessee or permittee under a lease or permit issued by the United States prior to the issuance of an oil and gas lease for the same land subject to this bond covering the use of the surface or the prospecting for, or development of, other mineral deposits in any portion of such land, to be paid to the United States.

For such payment, well and truly to be made, he binds himself, his heirs, executors, administrators, and successors, jointly and severally, by these presents.

If the amount of this bond is \$150,000, or if it is raised by an attached rider to that amount, the coverage shall extend to all the obligor's holdings involving oil and gas deposits in the United States, including Alaska, under the Act or Acts cited in Schedule A.

If the amount of this bond is less than \$150,000, its coverage extends only to the obligor's holdings involving oil and gas deposits in the State or States named in Schedule A and to any other State or States that may be named in a rider attached hereto. Furthermore, such coverage is confined to the obligor's holdings under the Act or Acts cited at the head of the column under which the name(s) of the State or States are now placed, or may be hereafter placed by the aforementioned rider.

SCHEDULE A

Public Domain Leasing Act of February 25, 1920
(41 Stat. 437) as amended (30 U.S.C. 181)

NAMES OF STATES

Acquired Lands Leasing Act of August 7, 1947
(61 Stat. 913; 30 U.S.C. 151)

NAMES OF STATES

The conditions of the foregoing obligations are such that, whereas the said obligor, in one or more of the following ways, has an interest in oil and gas leases issued under the Act or Acts cited in Schedule A of this bond:

1. as the lessee of such leases;
2. as the approved holder of operating rights in all or part of the lands covered by such leases under operating agreements with the lessees; and
3. as designated operator or agent under such leases pending approval of an assignment or operating agreement; and

WHEREAS the obligor is authorized to drill for, mine, extract, remove, and dispose of oil and gas deposits in or under the lands covered by the leases, operating

agreements or designations, and is obligated to comply with certain covenants and agreements set forth in such instruments; and

WHEREAS the obligor agrees that the coverage of this bond, in addition to the present holdings of the obligor shall extend to and include:

1. Any oil and gas lease hereafter issued to, or acquired by, the obligor affecting oil and gas deposits in the State or States now named in Schedule A, or later named in a rider, the coverage to be confined in the obligor's holdings under the Act or Acts cited at the head of the column in which the name(s) of the State or States appears and to become effective immediately upon such issuance or upon departmental approval of a transfer in favor of the obligor.

Nationwide Personal Oil and Gas Lease Bond,
Form 3106-4 (September 1966 Edition)

2. Any operating agreement hereafter entered into or acquired by the obligor, affecting oil and gas deposits in the States now named in Schedule A, or later named in a rider, relating to oil and gas leases issued under the Act or Acts cited in Schedule A at the head of the column in which the name of the State is placed. The coverage shall become effective immediately upon departmental approval of the agreement or of a transfer of an operating agreement to the obligor.

3. Any designation subsequent hereto of the obligor as operator or agent of a lessee under a lease issued pursuant to an Act or Acts cited in Schedule A and covering lands in a State named in Schedule A, either presently or by rider. This coverage shall become effective immediately upon the filing of such a designation under a lease.

4. Any extension of a lease covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease.

WHEREAS the obligor hereby agrees that notwithstanding the termination of any lease or leases, operating agreements or designations as operator or agent, covered by this bond, whether the termination is by operation of law or otherwise, the bond shall remain in full force and effect as to any remaining leases, operating agreements, or designations covered by the bond; and

WHEREAS the obligor as to any lease or part of a lease for lands as to which he has been designated as operator or agent, or approved as operator, in consideration of being permitted to furnish this bond in lieu of the lessees, agrees and by these presents does hereby bind himself to fulfill, on behalf of each lessee, all the obligations of each such lease for the entire leasehold in the same manner and to the same extent as though he were the lessee; and

WHEREAS the obligor agrees that notwithstanding any use of the security pledged herewith for the purpose for which it is pledged, the bond shall remain in full force and effect in the sum above set forth and that he will, whenever so required by the lessor, deposit additional security to bring the security up to the full amount; and

WHEREAS the obligor agrees that the neglect or forbearance of said lessor in enforcing, as against the lessees of such lessor, the payment of rentals or royalties or the performance of any other covenant, condition, or agreement of the leases, shall not, in any way, release the obligor from any liability under this bond; and

WHEREAS the obligor agrees that in the event of any default under the leases, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the obligor without the necessity of joining the lessees.

NOW, THEREFORE, If said obligor shall in all respects faithfully comply with all of the provisions of the leases referred to hereinbefore, then the above obligations are to be void; otherwise to remain in full force and effect.

That said obligor, in order the more fully to secure the United States in the payment of the aforesaid sum, hereby pledges as security therefor negotiable bonds of the United States, of a par value equal to the amount specified, which said bonds are numbered serially and are in the denominations and amounts and are otherwise more particularly described in the attached schedule, which is made a part hereof, and which said bonds have been deposited with the Secretary of the Interior.

That the said obligor does hereby constitute and appoint the Secretary of the Interior as his attorney, for him and in his name to collect or to sell, assign, and transfer the said United States bonds above described and deposited by the obligor, as aforesaid, pursuant to authority conferred by Section 1 of the Act of July 30, 1947 (61 Stat. 646; 6 U.S.C. 15) as security for the faithful performance of any and all of the conditions or stipulations as hereinbefore set out, and it is agreed that, in case of any default in the performance of the conditions and stipulations of such undertaking the said attorney shall have full power to collect said bonds or any part thereof, or to sell, assign, and transfer said bonds or any part thereof without notice, at public or private sale, free from any equity of redemption or without appraisalment or valuation, notice and right to redeem being waived, and to apply proceeds of such sale or collection to the full amount of the bond to the satisfaction of any damages, or deficiencies arising by reason of such default, as said attorney may deem best. The interest accruing upon said United States bonds deposited as above stated, in the absence of any default in the performance of any of the conditions or stipulations of the bond, shall be paid to said obligor. The said obligor hereby for himself, his heirs, executors, administrators, and successors, ratifies and confirms whatever his said attorney shall do by virtue of these presents.

Signed on this _____ day of _____, 19____, in the presence of:

(Signature of Obligor)

(Business Address of Obligor)

H-3104-1 - BONDS

Bond of Oil and Gas Lease Operator
Form 3104-2 (July 1986 Edition)

Form 3104-2
(July 1986)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

BOND OF OIL AND GAS LEASE OPERATOR

Bond Number _____

Serial Number _____

Operating agreement approved (date) _____

KNOW ALL MEN BY THESE PRESENTS, That, we,

as principal,

and

, as surety, are

held and firmly bound unto the United States of America, in the sum of dollars (\$) lawful money of the United States, for the use and benefit of (1) the United States; (2) any owner of a portion of the land in the lease bearing the above serial number who holds his land subject to a reservation of the oil and gas deposits to the United States; and (3) any lessee or permittee under a lease or permit issued, or to be issued, by the United States covering the use of the surface or the prospecting for, development of, other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally, by these presents.

The condition of the foregoing obligation is such that

notwithstanding any assignment or assignments by the operator/principal of an undivided interest in any operating agreement or operating rights covered by this bond, in which event the assignee or assignees shall be considered to be a coprincipal or copincipals on this bond as fully and to the same extent as though his or their duly authenticated signatures appeared thereon.

WHEREAS, by lease bearing the above serial number, the lessee was granted the exclusive right to drill for, mine, extract, remove, and dispose of all the oil and gas deposits in or under the leased lands, under and pursuant to the provisions of the Mineral Leasing Act of February 25, 1920 (30 U.S.C. 181 et. seq.), as amended; or Act of August 7, 1947 (30 U.S.C. 351-359), as amended; and the regulations thereunder as contained in 43 CFR Part 3100.

NOW, THEREFORE, If said principal shall in all respects faithfully comply with all of the provisions of the above-described lease, then this obligation shall be void, otherwise to remain in full force and effect.

WHEREAS, said lessee has, by virtue of the lease above referred to, entered into certain covenants and agreements set forth in such lease, under which operations are to be conducted; and

It is understood and agreed that this bond is being furnished in contemplation of drilling operations to be performed by the said principal on the lands in the above-described lease. It is also understood and agreed that the neglect of forbearance of said lessor in enforcing as against the above-named lessee, the payment of rentals or royalties or the performance of any other covenant, condition, or agreement of the above-described lease, shall not, in any way, release the principal and surety, or either of them, from any liability under this bond; and, it is further understood and agreed that, in the event of any default under the above-described lease, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the above-named lessee.

WHEREAS, by operating agreement approved by the Bureau of Land Management on the above date, the principal herein has been designated as "operator" with respect to all or part of the leased lands; and

WHEREAS, the said principal in consideration of being permitted, in lieu of the lessee, to furnish this bond agrees and by these presents does hereby bind himself to fulfill on behalf of the lessee all of the obligations of the said lease in the same manner and to the same extent as though he were the lessee; and

WHEREAS, the surety waives any right to notice of, and agrees that this bond shall remain in full force and effect.

(continued on reverse)

H-3104-1 - BONDS

Bond of Oil and Gas Lease Operator,
Form 3104-2 (July 1986 Edition)

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

_____	_____ [L. S.]
(Signature)	(Signature of Principal)
_____	_____
(Address)	(Business Address)
_____	_____ [L.S.]
(Signature)	(Signature of Surety)
_____	_____
(Address)	(Business Address)

(Signature)	

(Address)	
_____	By _____
(Signature)	
_____	_____
(Address)	(Address of Surety's Agent)

H-3104-1 - BONDS

Bond of Oil and Gas Lease Operator
Form 3104-2 (October 1975 Edition)

Form 3104-2
(October 1975)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bond Number
Serial Number
Operating agreement approved (date)

BOND OF OIL AND GAS LEASE OPERATOR

KNOW ALL MEN BY THESE PRESENTS, That we,

, as principal,

and

, as surety, are

held and firmly bound unto the United States of America, in the sum of dollars (\$) lawful money of the United States, for the use and benefit of (1) the United States; (2) any owner of a portion of the land in the lease bearing the above serial number who holds his land subject to a reservation of the oil and gas deposits to the United States; and (3) any lessee or permittee under a lease or permit issued, or to be issued, by the United States covering the use of the surface or the prospecting for, development of, other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally, by these presents.

The condition of the foregoing obligation is such that

WHEREAS, by lease bearing the above serial number, the lessee was granted the exclusive right to drill for, mine, extract, remove, and dispose of all the oil and gas deposits in or under the leased lands, under and pursuant to the provisions of the Mineral Leasing Act of February 25, 1920 (40 Stat. 437), as amended; or Act of August 7, 1947 (61 Stat. 913), as amended; and the regulations thereunder as contained in 43 CFR Part 3100 and 30 CFR Parts 221 and 226.

WHEREAS, said lessee has, by virtue of the lease above referred to, entered into certain covenants and agreements set forth in such lease, under which operations are to be conducted; and

WHEREAS, by operating agreement approved by the Bureau of Land Management on the above date, the principal herein has been designated as "operator" with respect to all or part of the leased lands; and

WHEREAS, the said principal in consideration of being permitted, in lieu of the lessee, to furnish this bond agrees and by these presents does hereby bind himself to fulfill on behalf of the lessee all of the obligations of the said lease in the same manner and to the same extent as though he were the lessee; and

WHEREAS, the surety waives any right to notice of, and agrees that this bond shall remain in full force and

effect, notwithstanding any assignment or assignments by the operator/principal of an undivided interest in any operating agreement or operating rights covered by this bond, in which event the assignee or assignees shall be considered to be a coprincipal or copincipals on this bond as fully and to the same extent as though his or their duly authenticated signatures appeared thereon.

NOW, THEREFORE, If said principal shall in all respects faithfully comply with all of the provisions of the above-described lease, then this obligation shall be void, otherwise to remain in full force and effect.

It is understood and agreed that this bond is being furnished in contemplation of drilling operations to be performed by the said principal on the lands in the above-described lease. It is also understood and agreed that the neglect or forbearance of said lessor in enforcing, as against the above-named lessee, the payment of rentals or royalties or the performance of any other covenant, condition, or agreement of the above-described lease, shall not, in any way, release the principal and surety, or either of them, from any liability under this bond; and, it is further understood and agreed that, in the event of any default under the above-described lease, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the above-named lessee.

Signed on this day of , 19 , in the presence of:

NAMES AND ADDRESSES OF WITNESSES

(Signature)

(Signature of Principal) 1 5

(Address)

(Business Address)

(Signature)

(Signature of Surety) 1 5

(Address)

(Business Address)

(Signature)

(Address)

(Signature)

By _____

H-3104-1 - BONDS

Bond of Oil and Gas Lease Operator,
Form 3104-2 (July 1974 Edition)

Form 3104-2
(July 1974)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bond Number
Serial Number
Operating agreement approved <input type="checkbox"/>

BOND OF OIL AND GAS LEASE OPERATOR

KNOW ALL MEN BY THESE PRESENTS, That we,

_____ , as principal,

and _____ , as surety, are

held and firmly bound unto the United States of America, in the sum of _____ dollars (\$ _____) lawful money of the United States, for the use and benefit of (1) the United States; (2) any owner of a portion of the land in the lease bearing the above serial number who holds his land subject to a reservation of the oil and gas deposits to the United States; and (3) any lessee or permittee under a lease or permit issued, or to be issued, by the United States covering the use of the surface or the prospecting for, development of, other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally, by these presents.

The condition of the foregoing obligation is such that

to fulfill on behalf of the lessee all of the obligations of the said lease in the same manner and to the same extent as though he were the lessee.

WHEREAS, by lease bearing the above serial number, the lessee was granted the exclusive right to drill for, mine, extract, remove, and dispose of all the oil and gas deposits in or under the leased lands, under and pursuant to the provisions of the Mineral Leasing Act of February 25, 1920 (40 Stat. 437), as amended, or Act of August 7, 1947 (61 Stat. 913), as amended, and

NOW, THEREFORE, If said principal shall in all respects faithfully comply with all of the provisions of the above-described lease, then this obligation shall be void, otherwise to remain in full force and effect.

WHEREAS said lessee has, by virtue of the lease above referred to, entered into certain covenants and agreements set forth in such lease, under which operations are to be conducted; and

It is understood and agreed that this bond is being furnished in contemplation of drilling operations to be performed by the said principal on the lands in the above-described lease. It is also understood and agreed that the neglect or forbearance of said lessor in enforcing, or against the above-named lessee, the payment of rentals or royalties or the performance of any other covenant, condition, or agreement of the above-described lease, shall not, in any way, release the principal and surety, or either of them, from any liability under this bond, and it is further understood and agreed that, in the event of any default under the above-described lease, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the above-named lessee.

WHEREAS by operating agreement approved by the Bureau of Land Management on the above date the principal herein has been designated as "operator" with respect to all or part of the leased lands; and

WHEREAS, the said principal in consideration of being permitted, in lieu of the lessee, to furnish this bond agrees and by these presents does hereby bind himself

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

_____ (Signature)	_____ (Signature of Principal)
_____ (Address)	_____ (Business Address)
_____ (Signature)	_____ (Signature of Surety)
_____ (Address)	_____ (Business Address)
_____ (Signature)	
_____ (Address)	
_____ (Signature)	By _____
_____ (Address)	_____ (Address of Surety's Agent)

H-3104-1 - BONDS

Bond of Oil and Gas Lease Operator,
Form 3104-2 (January 1971 Edition)

Form 3104-2
(January 1971)
(formerly 3104-2)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bond Number
Land Office and Serial Number
Operating agreement approved _____

BOND OF OIL AND GAS LEASE OPERATOR

KNOW ALL MEN BY THESE PRESENTS, That we,

_____ as principal,
and _____ as surety, are held and firmly bound unto the United States of America, in the sum of dollars (\$ _____) lawful money of the United States, for the use and benefit of (1) the United States; (2) any owner of a portion of the land in the lease bearing the above serial number who holds his land subject to a reservation of the oil and gas deposits to the United States; and (3) any lessee or permittee under a lease or permit issued, or to be issued, by the United States covering the use of the surface or the prospecting for, development of, other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally, by these presents.

The condition of the foregoing obligation is such that

WHEREAS, by lease bearing the above serial number, the lessee was granted the exclusive right to drill for, mine, extract, remove, and dispose of all the oil and gas deposits in or under the leased lands, under and pursuant to the provisions of the Mineral Leasing Act of February 25, 1920 (40 Stat. 437), as amended, or Act of August 7, 1947 (61 Stat. 913), as amended, and

WHEREAS said lessee has, by virtue of the lease above referred to, entered into certain covenants and agreements set forth in such lease, under which operations are to be conducted; and

WHEREAS by operating agreement approved by the Bureau of Land Management on the above date the principal herein has been designated as "operator" with respect to all or part of the leased lands; and

WHEREAS, the said principal in consideration of being permitted, in lieu of the lessee, to furnish this bond agrees and by these presents does hereby bind himself

to fulfill on behalf of the lessee all of the obligations of the said lease in the same manner and to the same extent as though he were the lessee;

NOW, THEREFORE, If said principal shall in all respects faithfully comply with all of the provisions of the above-described lease, then this obligation shall be void, otherwise to remain in full force and effect.

It is understood and agreed that this bond is being furnished in contemplation of drilling operations to be performed by the said principal on the lands in the above-described lease. It is also understood and agreed that the neglect or forbearance of said lessor in enforcing, as against the above-named lessee, the payment of rentals or royalties or the performance of any other covenant, condition, or agreement of the above-described lease, shall not, in any way, release the principal and surety, or either of them, from any liability under this bond, and, it is further understood and agreed that, in the event of any default under the above-described lease, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the above-named lessee.

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

_____ (Signature)	_____ (Signature of Principal)	L. S.
_____ (Address)	_____ (Business Address)	
_____ (Signature)	_____ (Signature of Surety)	L. S.
_____ (Address)	_____ (Business Address)	
_____ (Signature)		
_____ (Address)		
_____ (Signature)	By _____	
_____ (Address)	_____ (Address of Surety's Agent)	

H-3104-1 - BONDS

Bond of Oil and Gas Lessee,
Form 3104-1 (June 1984 Edition)

Form 3104-1
(June 1984)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

BOND OF OIL AND GAS LESSEE

Act of February 25, 1920 (41 Stat. 437), as amended;
Act of August 7, 1947 (61 Stat. 913), as amended
Department of the Interior Appropriations Act, Fiscal Year 1981 (P.L. 96-514)

Bond Number

Serial Number

KNOW ALL MEN BY THESE PRESENTS, That we,

and _____, as principal,
_____ , as surety, are
held and firmly bound unto the United States of America in the sum of _____ dollars
(\$ _____) lawful money of the United States, for the use and benefit of (1) the United States; and (2) any entryman, patentee, or surface owner of any portion of the lands covered by the lease bearing the above serial number who is entitled by law to compensation in connection with a reservation of the oil and gas deposits to the United States, for which payment, well and truly to be made, we, by these present bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally, upon the following conditions, viz:

The conditions of this obligation are such that, whereas the said principal has been granted the lease above referred to, upon the lands described therein and upon conditions therein expressed; and

WHEREAS, the surety waives any right to notice of, and agrees that this bond shall remain in full force and effect, notwithstanding:

1. Any assignment or assignments of an undivided interest in any part or all of the lands in the lease, in which event the assignee or assignees shall be considered to be coprincipal or copincipals on this bond as fully and to the same extent as though his or their duly authenticated signatures appeared thereon.

2. Any assignment of some of the lands described in the lease, the bond to remain in full force and effect only as to the lands retained in the lease.

3. Any extension of the lease term, any modification of the lease, or obligations thereunder, whether made or effected by commitment of the lease to any unit, cooperative, communitization or storage agreement, or development contract, suspension of operations or production, waiver, suspension or change in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise.

NOW, THEREFORE, if the said principal, his heirs, executors, administrators, successors, or assigns shall fully comply with all of the terms and conditions of said lease or any extension thereof authorized by law, use all reasonable precautions to prevent damage to the land, leave the premises in a safe condition upon the termination of said lease, and compensate the entryman, patentee, or surface owner, if any, for damages to the land as required by law, then this obligation shall be null and void; otherwise to remain in full force and effect.

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

(Signature)

(Address)

(Signature)

(Address)

(Signature)

(Address)

(Signature)

(Address)

(Signature of Principal) [L. S.]

(Business Address)

(Signature of Surety) [L. S.]

(Business Address)

By _____

(Address of Surety's Agent)

H-3104-1 - BONDS

Bond of Oil and Gas Lessee,

Form 3104-1 (October 1981 Edition)

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT
BOND OF OIL AND GAS LESSEE
 Act of February 25, 1920 (41 Stat. 437), as amended;
 Act of August 7, 1947 (61 Stat. 913), as amended
 Department of the Interior Appropriations Act, Fiscal Year 1981 (P.L. 96-514)

Bond Number
Serial Number

KNOW ALL MEN BY THESE PRESENTS, That we,

_____ as principal,
 and _____ as surety, are
 held and firmly bound unto the United States of America in the sum of
 dollars (\$ _____) lawful money of the United States, for the use and benefit of (1) the United States; and
 (2) any entryman, patentee, or surface owner of any portion of the lands covered by the lease bearing the above serial
 number who is entitled by law to compensation in connection with a reservation of the oil and gas deposits to the
 United States, for which payment, well and truly to be made, we, by these present bind ourselves, and each of us, and
 each of our heirs, executors, administrators, successors, and assigns, jointly and severally, upon the following
 conditions, viz:

The conditions of this obligation are such that, whereas the said principal has been granted the lease above referred to, upon the lands described therein and upon conditions therein expressed; and

WHEREAS, the surety waives any right to notice of, and agrees that this bond shall remain in full force and effect, notwithstanding:

1. Any assignment or assignments of an undivided interest in any part or all of the lands in the lease, in which event the assignee or assignees shall be considered to be coprincipal or copincipals on this bond as fully and to the same extent as though his or their duly authenticated signatures appeared thereon.
2. Any assignment of some of the lands described in the lease, the bond to remain in full force and effect only as to the lands retained in the lease.
3. Any extension of the lease term, any modification of the lease, or obligations thereunder, whether

made or effected by commitment of the lease to any unit, cooperative, communitization or storage agreement, or development contract, suspension of operations or production, waiver, suspension or change in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise.

NOW, THEREFORE, if the said principal, his heirs, executors, administrators, successors, or assigns shall fully comply with all of the terms and conditions of said lease or any extension thereof authorized by law, use all reasonable precautions to prevent damage to the land, leave the premises in a safe condition upon the termination of said lease, and compensate the entryman, patentee, or surface owner, if any, for damages to the land as required by law, then this obligation shall be null and void; otherwise to remain in full force and effect.

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

_____ (Signature)	_____ (Signature of Principal)	[L. S.]
_____ (Address)	_____ (Business Address)	
_____ (Signature)	_____ (Signature of Surety)	[L. S.]
_____ (Address)	_____ (Business Address)	
_____ (Signature)		
_____ (Address)		
_____ (Signature)	By _____	
_____ (Address)	_____ (Address of Surety's Agent)	

H-3104-1 - BONDS

Bond of Oil and Gas Lessee,
Form 3104-1 (August 1973 Edition)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT BOND OF OIL AND GAS LESSEE <small>Act of February 25, 1920 (41 Stat. 437), as amended; Act of August 7, 1947 (61 Stat. 913), as amended</small>	Bond Number _____ Serial Number _____
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KNOW ALL MEN BY THESE PRESENTS, That we, _____, as principal,

and _____, as surety, are held and firmly bound unto the United States of America in the sum of _____ dollars (\$ _____) lawful money of the United States, for the use and benefit of (1) the United States; and (2) any entryman, patentee, or surface owner of any portion of the lands covered by the lease bearing the above serial number who is entitled by law to compensation in connection with a reservation of the oil and gas deposits to the United States, for which payment, well and truly to be made, we, by these present bond ourselves, and each of us, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally, upon the following conditions, viz:

The conditions of this obligation are such that, whereas the said principal has been granted the lease above referred to, upon the lands described therein and upon conditions therein expressed; and

WHEREAS, the surety waives any right to notice of, and agrees that this bond shall remain in full force and effect, notwithstanding:

1. Any assignment or assignments of an undivided interest in any part or all of the lands in the lease, in which event the assignee or assignees shall be considered to be coprincipal or copincipals on this bond as fully and to the same extent as though his or their duly authenticated signatures appeared thereon.
2. Any assignment of some of the lands described in the lease, the bond to remain in full force and effect only as to the lands retained in the lease.
3. Any extension of the lease term, any modification of the lease, or obligations thereunder, whether made or effected by commitment of the lease to any unit, cooperative, communitization or storage agreement, or development contract, suspension of operations or production, waiver, suspension or change in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise.

NOW, THEREFORE, if the said principal, his heirs, executors, administrators, successors, or assigns shall fully comply with all of the terms and conditions of said lease or any extension thereof authorized by law, use all reasonable precautions to prevent damage to the land, leave the premises in a safe condition upon the termination of said lease, and compensate the entryman, patentee, or surface owner, if any, for damages to the land as required by law, then this obligation shall be null and void; otherwise to remain in full force and effect.

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

_____ (Signature)	_____ (Signature of Principal)
_____ (Address)	_____ (Business Address)
_____ (Signature)	_____ (Signature of Surety)
_____ (Address)	_____ (Business Address)
_____ (Signature)	_____ (Address of Surety's Agent)
_____ (Address)	_____ (Address of Surety's Agent)

Form 3104-1 (August 1973 Edition)

H-3104-1 - BONDS

Bond of Oil and Gas Lessee,
Form 3106-1 ((July 1968 Edition)

Form 3106-1
(June 1968)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

BOND OF OIL AND GAS LESSEE

Act of February 25, 1920 (41 Stat. 437), as amended;
Act of August 7, 1947 (61 Stat. 913), as amended

Bond Number

Land Office and Serial Number

KNOW ALL MEN BY THESE PRESENTS, That we,

, as principal,

and

, as surety, are

held and firmly bound unto the United States of America in the sum of dollars (\$) lawful money of the United States, for the use and benefit of (1) the United States; and (2) any entryman, patentee, or surface owner of any portion of the lands covered by the lease bearing the above serial number who is entitled by law to compensation in connection with a reservation of the oil and gas deposits to the United States, for which payment, well and truly to be made, we, by these present bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally, upon the following conditions, viz:

The conditions of this obligation are such that, whereas the said principal has been granted the lease above referred to, upon the lands described therein and upon conditions therein expressed; and

WHEREAS, the surety waives any right to notice of, and agrees that this bond shall remain in full force and effect, notwithstanding:

1. Any assignment or assignments of an undivided interest in any part or all of the lands in the lease, in which event the assignee or assignees shall be considered to be coprincipal or copincipals on this bond as fully and to the same extent as though his or their duly authenticated signatures appeared thereon.
2. Any assignment of some of the lands described in the lease, the bond to remain in full force and effect only as to the lands retained in the lease.
3. Any extension of the lease term, any modification of the lease, or obligations thereunder, whether

made or effected by commitment of the lease to any unit, cooperative, communitization or storage agreement, or development contract, suspension of operations or production, waiver, suspension or change in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise.

NOW, THEREFORE, if the said principal, his heirs, executors, administrators, successors, or assigns shall fully comply with all of the terms and conditions of said lease or any extension thereof authorized by law, use all reasonable precautions to prevent damage to the land, leave the premises in a safe condition upon the termination of said lease, and compensate the entryman, patentee, or surface owner, if any, for damages to the land as required by law, then this obligation shall be null and void; otherwise to remain in full force and effect.

Signed on this day of , 19 , in the presence of:

NAMES AND ADDRESSES OF WITNESSES

(Signature)

(Signature of Principal) [I. S.]

(Address)

(Business Address)

(Signature)

(Signature of Surety) [I. S.]

(Address)

(Business Address)

(Signature)

(Address)

(Signature)

By _____

(Address)

(Address of Surety's Agent)

H-3104-1 - BONDS

Oil and Gas Exploration Bond
Form 3045-3 (May 1981 Edition)

Form 3045-3
(May 1981)
(Formerly 3107-3)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OIL AND GAS EXPLORATION BOND
(43 CFR, SUBPART 3045)

KNOW ALL MEN BY THESE PRESENTS, That we

of

as principal,

and

, as surety,

are held and firmly bound unto the UNITED STATES OF AMERICA in the sum of _____ dollars (\$ _____), lawful money of the United States, to be paid to the United States, which sum may be increased or decreased by a rider hereto executed in the same manner as this bond, for the use and benefit of (1) the United States; (2) any entryman or patentee or surface owner of, or the holder of any interests in, any lands in which the oil and gas deposits are reserved to the United States and upon which exploration operations will be conducted; and (3) any lessee or permittee under a lease or permit issued or to be issued by the United States for lands on which the oil and gas exploration operations will be conducted. For such payment, well and truly to be made, we bind ourselves, and each of our heirs, executors, administrators, successors and assigns, jointly and severally by these presents.

SCHEDULE A

STATE OR STATES

SCHEDULE B

TOWNSHIP(S) AND RANGE(S)	APPROXIMATE DATE OF COMMENCEMENT OF OPERATIONS

H-3104-1 - BONDS

Oil and Gas Exploration Bond,
Form 3045-3 (May 1981 Edition)

If the amount of this bond is \$50,000, or if it is increased to that amount, the coverage shall extend to all of the principal's oil and gas exploration operations in the United States, including Alaska.

If the amount of this bond is \$5,000, its coverage shall extend only to the principal's single oil and gas exploration in the township(s) and range(s) set forth in Schedule B.

If the amount of this bond is \$25,000, its coverage extends only to the principal's oil and gas exploration operations in the State named in Schedule A.

The conditions of the foregoing obligations are such that, whereas the said principal has filed a Notice of

Intent to Conduct Oil and Gas Exploration Operations across and upon public lands with the District Manager in the District wherein such operations are to be conducted, and

WHEREAS, the principal is obligated to comply with the covenants and conditions set forth in such Notice of Intent to Conduct Oil and Gas Exploration Operations.

NOW, THEREFORE, IF said principal shall in all respects faithfully comply with all of the terms and conditions of the Notice of Intent to Conduct Oil and Gas Exploration Operations and such other corrective measures to rehabilitate the land as may be required by the District Manager, the surety shall incur no liability, but, if the principal should fail to do so, the surety shall be liable to the extent provided in this bond.

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

(Principal)

(Business Address)

(Surety)

(Business Address)

H-3104-1 - BONDS

Oil and Gas Exploration Bond,
Form 3107-3 (December 1967 Edition)

Form 3107-3
(December 1967)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OIL AND GAS EXPLORATION BOND
(43 CFR, SUBPART 3107)

KNOW ALL MEN BY THESE PRESENTS, That we

of _____, as principal,

and

of _____, as surety,

are held and firmly bound unto the UNITED STATES OF AMERICA in the sum of _____ dollars (\$ _____), lawful money of the United States, to be paid to the United States, which sum may be increased or decreased by a rider hereto executed in the same manner as this bond, for the use and benefit of (1) the United States; (2) any entryman or patentee or surface owner of, or the holder of any interests in, any lands in which the oil and gas deposits are reserved to the United States and upon which exploration operations will be conducted; and (3) any lessee or permittee under a lease or permit issued or to be issued by the United States for lands on which the oil and gas exploration operations will be conducted. For such payment, well and truly to be made, we bind ourselves, and each of our heirs, executors, administrators, successors and assigns, jointly and severally by these presents.

SCHEDULE A

STATE OR STATES

SCHEDULE B

TOWNSHIP(S) AND RANGE(S)	APPROXIMATE DATE OF COMMENCEMENT OF OPERATIONS

GPO 840-081

H-3104-1 - BONDS

Oil and Gas Exploration Bond,
Form 3107-3 (December 1967 Edition)

If the amount of this bond is \$50,000, or if it is increased to that amount, the coverage shall extend to all of the principal's oil and gas exploration operations in the United States, including Alaska.

If the amount of this bond is \$5,000, its coverage shall extend only to the principal's single oil and gas exploration in the township(s) and range(s) set forth in Schedule B.

If the amount of this bond is \$25,000, its coverage extends only to the principal's oil and gas exploration operations in the State named in Schedule A.

The conditions of the foregoing obligations are such that, whereas the said principal has filed a Notice of

Intent to Conduct Oil and Gas Exploration Operations across and upon public lands with the District Manager in the District wherein such operations are to be conducted, and

WHEREAS, the principal is obligated to comply with the covenants and conditions set forth in such Notice of Intent to Conduct Oil and Gas Exploration Operations.

NOW, THEREFORE, IF said principal shall in all respects faithfully comply with all of the terms and conditions of the Notice of Intent to Conduct Oil and Gas Exploration Operations and such other corrective measures to rehabilitate the land as may be required by the District Manager, the surety shall incur no liability, but, if the principal should fail to do so, the surety shall be liable to the extent provided in this bond.

Signed on this _____ day of _____, 19____, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

(Principal)

(Business Address)

(Surety)

(Business Address)

H-3104-1 - BONDS

Regional Solicitor's Memorandum (No. BLM.ER.0659)
 Dated October 26, 1989, "Federal Oil and Gas
 Lease Bonding - Period of Liability"



United States Department of the Interior

OFFICE OF THE SOLICITOR
 WASHINGTON, D.C. 20240

BLM.ER.0659

Memorandum

OCT 26 1989

To: Regional Solicitor
 Rocky Mountain Region

From: Assistant Solicitor, Onshore Minerals

Subject: Federal Oil and Gas Lease Bonding--Period of Liability

We have reviewed your draft memorandum (attachment) on the above-referenced subject. We concur that the termination of the period of liability for a federal oil and gas lease bond does not relieve the surety of liability for improper activities that occurred during the period the bond was in effect, but whose adverse effect did not manifest itself until the bond was released. Thus, as pointed out in your memorandum, the adverse effects of a well which was improperly plugged and abandoned during the term of a bond would not relieve the surety of liability if those effects did not manifest themselves until after the bond had been released. Similarly, an applicable statute of limitations would not begin to run until BLM was actually aware or should have been aware of adverse effects of the improper activity or the improper activity itself.

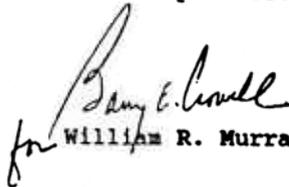
For example, assume a gas well was improperly plugged in 1968, the lease expired in 1970, and the bond covering activities on the lease was released in 1970, but the adverse effects of improper abandonment did not become manifest until 1986. Because the improper activities occurred during the term of the bond, that it was released in 1970 does not affect the liability of the surety to recompense BLM for costs associated with mitigating the adverse effect. Moreover, the applicable statute of limitations would not begin to run until 1986, when the adverse effects of the improper activity became evident.

We understand that some federal oil and gas lease sureties are requesting that BLM not only release the bond at the end of the term, but that BLM also cancel the bond. BLM should not agree to cancel any bond. A cancellation would imply not only that the period of liability has terminated, but also that the surety is relieved from liability for any improper activities that occurred during the period the bond was in effect, even if the adverse effects of such activities do not become evident until after the cancellation of the bond. This would leave BLM in an unprotected position should later events demonstrate that such improper

-2-

activities occurred during the term of the bond. For this reason, BLM should state in the release that only the period of liability has terminated.

We recommend that you transmit a copy of your signed memorandum with ours attached to all Regional and Field Solicitors. If you have any questions, please contact Stephen Brown in this branch at FTS-343-4146.


for William R. Murray

Attachment

cc: Chief, Division of Fluid Minerals
Leasing, Bureau of Land Management

H-3104-1 - BONDS



United States Department of the Interior

OFFICE OF THE SOLICITOR
 OFFICE OF THE REGIONAL SOLICITOR
 P. O. BOX 25007
 DENVER FEDERAL CENTER
 DENVER, COLORADO 80225



DRAFT

May 4, 1988

BLM.RM.0946

Memorandum

To: State Director, Colorado State Office, Bureau of Land Management

From: Regional Solicitor, Rocky Mountain Region

Subject: Effect of Terminating the Period of Liability of Oil and Gas Lease Bonds

STATEMENT OF ISSUE

You ask the effect of BLM's terminating the period of liability of a performance bond given to assure compliance with the terms and conditions of Federal oil and gas leases. Specifically, you want to know whether terminating the period of liability means that the Bureau of Land Management (hereinafter BLM) can no longer obtain money from the surety on that bond for a lessee's breach of some condition of the lease. Suppose, for example, that a lessee had improperly plugged and abandoned an oil well, and then BLM had terminated the period of liability. BLM discovers the improper plugging two years later when there is leakage at the well site which does extensive damage to the vegetation and wildlife. Is the surety nevertheless liable for the damages?

ANSWER

Our research indicates that the surety is still liable.

ANALYSIS

As a general proposition, a bond or fidelity bond is a contract which must be construed in accordance with the terms of the contract and the intent of the parties. 12 Am. Jur. 2d § 2 (Supp. 1987). Where, as is the case here, a bond is given to ensure a statutory obligation, it is known as a statutory bond, and the terms of the statute (and implementing regulations) are considered to be incorporated into and are considered a part of the contract. 12 Am. Jur. 2d § 26 (Supp. 1987). This is so because the obvious purpose of the bond is to assure the faithful performance of all obligations and conditions by the person obtaining the bond. For example, in R. K. Teichgraber, 96 IBLA 249 (1987), the Interior

Board of Land Appeals (hereinafter IBLA) held that BLM properly refused to release a bond "until all the terms and conditions of the lease had been satisfied, including the payment of all necessary compensatory royalty. The IBLA expressly relied on the existing regulations and lease conditions to define the liability of the lessee and the parallel liability of his surety." 96 IBLA at 252. Similarly, in O. R. Weyrich, Jr., 49 IBLA 347 (1980), the IBLA affirmed BLM's refusal to terminate a surety's liability where the lessee had not "satisfactorily plugged and abandoned" a well on the leasehold. Again, the IBLA relied upon the language of the appropriate regulation, 43 C.F.R. 3104.8, to determine the extent of liability. 49 IBLA at 348. That regulation states:

§ 3104.8. Termination of period of liability. The authorized officer will not give consent to termination of the period of liability of any bond unless an acceptable alternative bond has been filed or until all the terms and conditions of the lease have been met.

The language of that regulation is no accident. When BLM determines, to the extent that it can, that the terms and conditions of the lease have been met, it terminates the "period of liability," that is, it sets a specific time, after which no new liability may accrue. But this does not mean that the surety may deny liability for a cause of action accruing before termination of the period of liability. For example, suppose that oil company A properly plugs and abandons a well and relinquishes the Federal oil and gas lease. Suppose that company B obtains a new lease and begins reworking the well and then takes bankruptcy before completing operations. Clearly, neither company A nor its surety is liable for anything happening after the end of its period of liability. But suppose, instead, that two years after the end of company A's period of liability, the BLM discovers serious environmental damage due to company A's improper plugging and abandonment. Clearly, company A will be liable, under its former lease, to the United States for the damages it has caused. Equally clearly, company A's surety will also be liable because its liability is co-extensive with that of the lessee. The fact the period of liability has terminated means only that the exact date has been set, beyond which no new cause of action may accrue. This is equally true for the lessee and his surety, if their liability is to be co-extensive, as the statute, regulations, and lease terms require.

Had the BLM wished to release either a lessee or a surety from any liability whatsoever, it would have been a simple matter in its regulation to use the normal language used in the bonding industry to "cancel" the bond. Or, as suggested to you by one surety, the BLM could have stated in the regulations that BLM unconditionally releases the surety from all past, present, or future liability. But the BLM did no such thing. It simply sets a time beyond which no new liability or cause of action may accrue. 43 C.F.R. 3104.8.

H-3104-1 - BONDS

Bonds to ensure "faithful performance" (this language is used in BLM's bond forms) commonly involve payment long after the period of liability is over, precisely because causes of action are often not discovered for several years. For example, in United States v. American Surety Co. of New York, 172 F.2d 135 (2d Cir. 1949), the court of appeals dealt with a surety bond for "faithful performance" of a postal employee beginning in 1935. The bond was for \$2,000 per year, and the premiums were paid annually. Not until 1944 was the employee's embezzlement discovered. The court held that the surety was liable for the embezzlement in each year up to \$2,000 per year, notwithstanding that the embezzlement or liability wasn't discovered for many years after the embezzlement took place. Likewise, in Massachusetts Bonding and Insurance Company v. Board of County Commissioners, 100 Colo. 398, 68 P.2d 555 (1937), the Colorado Supreme Court held that a surety must pay damages incurred for embezzlement between 1923 and 1934 even though the bond was renewed and paid for annually. In some cases, the cause of action related back 11 years. The court also held that the statute of limitations didn't bar the claims because the cause of action didn't fully accrue until the embezzlement became known. 68 P.2d at 557.

In sum, the liability of a surety is exactly that of the lessee for whom the surety posts the bond. To the extent that the lessee is liable after the termination or end of the period of liability, then so is his surety. Likewise, to the extent the lessee is protected by a statute of limitations, so is his surety. Should you have any further questions, please contact Lyle K. Rising of this office at FTS 776-8444 or commercial (303) 236-8444.

Lyle K. Rising
For the Regional Solicitor
Rocky Mountain Region

H-3104-1 - BONDS

Regional Solicitor's Memorandum (No. BLM.23.RM.0814),
 Dated January 20, 1987, "Effect of Assignment
 Approval on Assignee's Corporate Surety"



United States Department of the Interior

OFFICE OF THE SOLICITOR
 OFFICE OF THE REGIONAL SOLICITOR
 P.O. BOX 25007
 DENVER FEDERAL CENTER
 DENVER, COLORADO 80225

'87 JAN 21 AIC:UO

January 20, 1987

BLM.RM.0814

Memorandum

To: State Director, Colorado, Bureau of Land Management
 From: Regional Solicitor, Rocky Mountain Region
 Subject: Effect of Assignment Approval on Assignee's Corporate Surety

In your memorandum of December 1, 1986, you ask "whether or not an assignee's corporate surety is bound for all previous liability on a lease when an assignment is approved absent a rider specifically conditioning a bond to do so?" You state that the BLM is concerned that the language on the bond forms covers only "normal ongoing operations." You enclosed with your memorandum two bond forms, Form 3104-1 (June 1984) and Form 3104-8 (July 1984).

For the purpose of replying to your question, it is assumed that an assignee and its surety execute one or both of the above identified bond forms.

As I pointed out in my September 12, 1986 memorandum to your office, the assignee of an oil and gas lease assumes "all lease obligations." See 43 C.F.R. 3106.7-2 and Karis Oil Co., Inc., 58 IBLA 123, 1981. To reiterate that portion of the Karis decision quoted in the September 12 memorandum:

The bond that the assignee is required to provide is that which will cover any obligations arising under the lease to the same extent that the assignor's bond would have done. BLM should ascertain the adequacy of such bond before approving the assignment.

In other words, the BLM is to insure that the bond provided by the assignee will cover all obligations existing at the time of the assignment because the assignee assumes responsibility for them.

We have carefully read both bond forms. We find there is no language limiting coverage either to "normal ongoing operations" or to subsequent operations. To the contrary, Form 3104-1 provides:

NOW, THEREFORE, if the said principal, his heirs, executors, administrators, successors, or assigns shall fully comply with all of the terms and conditions of said lease or any extension thereof authorized by law, use all reasonable precautions to prevent damage to the land, leave the premises in a safe condition upon the termination of said lease, and compensate the entryman, patentee, or surface owner, if any, for damages to the land as required by law, then this obligation shall be null and void; otherwise to remain in full force and effect.

The language in Form 3104-8 is more concise, but to the same effect. That form provides:

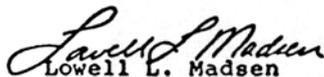
NOW, THEREFORE, If said principle [sic] shall in all respects faithfully comply with all of the provisions of the leases referred to hereinabove, then the above obligations are to be void; otherwise to remain in full force and effect.

In other words, the bond forms provide that if the principal does not comply with all lease terms, which includes correcting any preexisting deficiencies, the surety is obligated to do so.

To summarize, an assignee assumes all of the obligations incurred ~~by the assignor as well as the benefits which have accrued to the assignor.~~ The assigned lease requires the assignee to correct conditions not consistent with the lease terms. If it does not, it is in default. If it is in default, that default is covered by the terms of the bonds and the surety must pay for correcting the problems if the principal does not.

You point out that the Colorado State Office and perhaps other offices are using a rider to insure assumption of prior liabilities by a surety. Such riders are not necessary and should not be used. The use of such riders only clouds what is now the plain and unambiguous language of the bond forms.

If you have further questions regarding this matter, please contact the undersigned.


Lowell L. Madsen
For the Regional Solicitor

CC:
Associate Solicitor, Energy and Resources

H-3104-1 - BONDS

CO-943A(MN)
3104/3106

12/1/86

Memorandum

To: Regional Solicitor, Rocky Mountain Region

From: State Director, Colorado

Subject: Effect of Assignment Approval on Assignee's Corporate Surety

We request you extend the guidance given in your response of September 12, 1986, to our Craig District Office to the question of whether or not an assignee's corporate surety is bound for all previous liability on a lease when an assignment is approved absent a rider specifically conditioning a bond to do so.

We are concerned that the language in our bond forms (Enclosures 1 and 2) does not extend on assignee's bond to cover other than normal ongoing operations. Enclosures 3, 4, and 5 are the riders we are using to ensure assumption of prior liability. However, Enclosure 3 is not often used. We have had instances where an assignee is able to provide a corporate surety bond but the surety refuses to execute one of these riders. ~~We also know~~ From conversations we have had with various sureties' agents that they generally assume their principals' bond coverage does not extend to anything, other than normal ongoing operations, which occurred prior to when the principals acquired interests in leases. We wonder what would happen in the situation where an assignee is obtaining interest in a lease that has considerable rehabilitation to be done and/or an amount of royalty liability which far exceeds the face amount of the bond, especially where this agency is not aware of such default in royalties.

We do understand that, where a lease has terminated, expired, been relinquished or cancelled and a new lease has been issued, neither the new lessee nor any assignee of that lessee can be held responsible for prior liability.

A considerable amount of time and effort is spent by both State and District Offices to secure District Office concurrence to assignment approval and requirement and approval of riders from assignees. If we do not need these riders, we can alter our procedures and spend the time saved more productively.



United States Department of the Interior

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 DENVER, COLORADO 80225

SEP 17 1986
 BUREAU OF LAND MANAGEMENT
 COLORADO

86 SEP 17 10:00

September 12, 1986

BLM.RM.0748

Memorandum

To: State Director, Bureau of Land Management, Colorado
 From: Regional Solicitor, Rocky Mountain Region
 Subject: Effect of Assignments on Responsibility for Compliance
 with Oil and Gas Lease Terms

In your June 30, 1986 memorandum to us, you ask whether the assignee or the assignor is liable for correcting deficiencies on a Federal oil and gas lease where the deficiencies occurred prior to approval of the assignment by the BLM. The answer to this question is the assignee.

The regulation 43 C.F.R. 3106.7-2 provides in relevant part:

~~"After approval, the assignee and surety shall be responsible for the performance of all lease obligations not withstanding any terms in the assignment to the contrary."~~

See also Karis Oil Co., Inc., 50 IBLA 123 (1981).

The above-cited regulation is binding on both the assignee and the assignor. It clearly provides that the assignee, by entering into a contract with the assignor, assumes the responsibility for complying with "all lease obligations" which would include obligations which have already accrued. In this regard, the Board, in its Karis decision, supra, at 124, made the following comment:

"The bond that the assignee is required to provide is that which will cover any obligations arising under the lease to the same extent that the assignor's bond would have done. BLM should ascertain the adequacy of such bond before approving the assignment." (emphasis added)

There is nothing in the statutes or the regulations requiring the BLM to inspect lands within an oil and gas lease prior to the approval of an assignment of that lease to determine whether the assignor has accrued any unresolved obligations and to ensure that the assignor satisfies those unresolved obligations prior to the BLM's approval of an assignment. It is for the assignee to determine precisely what obligations he is assuming when he

H-3104-1 - BONDS

executes an assignment. The BLM should inspect the lands only for the purpose of determining whether the bond offered by the assignee is adequate to cover existing as well as potential problems.

You ask whether an assignor continues to be responsible for deficiencies that existed prior to approval of the assignment. According to the above-cited regulation and case, the answer to this question is no.

You state that holders of operating rights are claiming they are not responsible for lease deficiencies that existed prior to BLM approval of the operating agreement. Even though the holder of operating rights may have its own individual bond, which the BLM may call upon when necessary, the lessee of record has the ultimate responsibility for compliance with the terms of the lease. Hence, if the operator or its surety are unable to satisfy the obligations of the lease, the BLM has recourse against the lessee of record and may require it to take care of any problems that exist on the lease.

If you have additional questions regarding this matter, please contact the undersigned.


Lowell L. Madsen
For the Regional Solicitor
Rocky Mountain Region

cc: Associate Solicitor, Division of Energy and Resources

H-3104-1 - BONDS

Instructions for Accessing ALMRS Automated Bond Bulletin Board

INSTRUCTIONS FOR ACCESSING BOND BULLETIN BOARD

1. Use your office's Charge Code, Charge Code Password, and your own system Password to access the Timesharing program (TSS).

2. When you get the prompt "*", enter INFO INDEX to read the ALMRS Bulletin Board headlines. At the end of the headlines, the following message will appear:

```
INFO RE: AUTOMATED BOND & SURETY SYSTEM
To display /BOND/NEWS      type BONDS/BB
To display /BOND/SURETY   type BONDS/BB
To display /BOND/UPDATES  type BONDS/BB
```

3. Enter BONDS/BB and the following message will appear:

```
enter X to exit
enter D to DISP Bonds/Bond/NEWS
enter S to DISP Bonds/Bond/SURETY
enter U to DISP Bonds/Bond/UPDATES
enter T to ADD message to NEWS
X/D/S/U/T?
```

If you wish to see the bond NEWS messages, enter D. The Bulletin Board is cleared out approximately once a month, with the outdated messages stored in a SAVE file. When you view the messages on the Bulletin Board, the first ones you will see are the oldest ones remaining since the latest save was done. As you proceed to TRANSMIT through the NEWS file, you'll view the more current messages.

If you wish to see the updates to Treasury Circular 570, enter S. This file displays information published in the Federal Register regarding acceptable/unacceptable surety companies. Again, the oldest remaining messages will come up first, with the more current messages appearing as you proceed through the file.

If you want to see the latest system enhancements from DSC, enter U. This file is where our ALMRS contact person, currently Carmen Gomes, will enter any enhancements, or updates, to the programs, along with directions for how to use the particular enhancement. Carmen generally enters these into the NEWS file when they're first developed so that the offices can see that the enhancements are available.

If you wish to add a message to the Bulletin Board, enter T. This is where you may enter your requests for termination or respond to another state office's requests. The system gives you step by step instructions on how to enter your message. When it's saved, your message is added to the end of the NEWS file's messages. All offices should be courteous when entering their requests and responses, and should not use the Bulletin Board to carry on extensive discussions of specific bond problems unless the problem is one that affects all offices and input from all offices is needed.

If you do not want to proceed in the Bond Bulletin Board, enter X. The program will take you back to the Timesharing prompt "*" and you should then enter "BYE" to exit the Timesharing system.



APPENDIX 21, Page 1
(XVIII. E)

IN REPLY REFER TO:

3104 (623)

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
WASHINGTON, D.C. 20240

APR 10 1987

Memorandum

Assistant Secretary, Land and Minerals Management

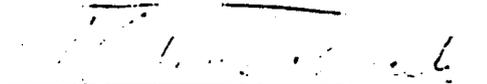
From: Director, Bureau of Land Management

Subject: Priority Collection on Oil and Gas Bonds

Attached is an issue paper addressing whether the Bureau of Land Management (BLM) or the Minerals Management Service (MMS) should have priority in collecting on an oil and gas bond. This was one of the issues addressed by our Bonding Task Force in their review of the present oil and gas bonding requirements. Robert Stack, assigned to your staff, participated in the Task Force. Following Task Force review, I made a tentative decision that in those few and infrequent cases where both the BLM and MMS are simultaneously collecting on the same bond, the BLM should have priority of collection. The reasons behind this tentative decision are outlined in the attached paper. However, since this policy would affect more than one agency, your concurrence is also requested.

Attachment

I Concur:


Assistant Secretary - Land
and Minerals Management

MAY 1 1987

Date

→ /s/ J. Steven Griles

Issue:

Who should have priority in collecting on an oil and gas bond if there is both a royalty loss (MMS) and a loss from improper or no reclamation (BLM)?

Background:

The Federal oil and gas bond is intended to cover a lessee/operator's liability for both royalty payments and proper site reclamation including well plugging. The BLM is responsible for ensuring proper site reclamation while the MMS is responsible for royalty collection. This split responsibility can lead to problems when, as in a bankruptcy, both agencies attempt to collect on the same bond in order to protect their respective interests.

A similar issue recently arose when the MMS collected on a bond before notifying the BLM. BLM was unaware that the bond had been reduced below the required coverage. As such, the BLM was left in a position whereby the amount remaining was insufficient to cover any possible reclamation costs. This issue has been resolved by the BLM/MMS Steering Committee in a Memorandum of Understanding (MOU), whereby, the MMS has agreed to give BLM proper notification so that the BLM can then notify the lessee and surety to demand performance on the bond.

This MOU resolves the issue of notification between the two agencies but the issue of priority collection remains. In determining which, if either, of the two agencies should have such priority their respective liabilities and true potential losses must be examined.

The MMS is responsible for the collection of mineral revenues. Fifty percent of the mineral receipts from public domain lands are paid back to the States where the minerals are located. However, based, on informal discussions with the Solicitor's Office*, the MMS is likely not liable for money which was intended to be distributed to the States but is not collectable, as in the case of a bankruptcy where royalties are owed to the Government. The language at 30 U.S.C. 191 provides that "All money received from sales, bonuses, royalties . . ." shall be deposited into Treasury and 50 percent returned to the States. If no money has been "received", then the MMS is probably under no obligation to distribute the "50 percent foregone revenue" to the States.

*This matter has not been formally reviewed by the Solicitor's Office.

Therefore, when the MMS is faced with a loss of royalties it is basically a "paper loss" because it represents foregone revenues rather than an "out of pocket" expense. While the loss of such revenues is not to be discounted, the MMS does not face any loss of their budget or have to seek recovery of these foregone revenues from the Congress.

The BLM, however, must ensure that the site is properly reclaimed because, as a "land owner", it could be liable for accidents occurring on an improperly abandoned site. If no bond money is available, the BLM must pay for the reclamation work by providing "in house" materials and labor as well as hiring private contractors. As this type of work is not generally accounted for in the annual budget, the expenditures represent a real cost to the BLM which must seek additional appropriations to cover both the contracted work as well as to reimburse the BLM budget items from which the money was "borrowed."

Options

1. Assume the present agreement in the MOU for prior notification will also resolve any disputes regarding priority collection.

Pro

MOU provides possible mechanism to handle issue.

Con

Disputes would likely continue.
No clear policy for priority collections

2. Develop formula whereby bond would be allocated to BLM and MMS either on a straight percentage or prorated basis.

Pro

Would ensure both agencies receive bond money.
Prorated basis could take into account relative risk

Con

Ignores liability issue.
BLM would likely have out of pocket expense.

3. Grant BLM the priority to attach and collect on the bond first, with any remaining money going to MMS.

Pro

Recognizes agency liability.
BLM would be protected against real losses.

Con

Opposition by MMS.
Probable "paper losses" to MMS.

4. Grant MMS the priority to attach and collect on the bond first, with any remaining money going to BLM.

Pro

MMS would recover "paper losses"
Would likely be favored by state governments because of revenue distribution.

Con

Would result in real costs to the BLM
Could result in BLM liability for accidents on improperly abandoned sites.

Recommendation:

We recommend Option 3.

Robert J. Benfante

UN - I HAVE READ AND RETAIN



United States Department of the Interior



OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

MAY 19 1987

APPENDIX 22

BLM.ER.0645

MEMORANDUM

To: Director, Bureau of Land Management (620)

From: Acting Deputy Associate Solicitor
Energy & Resources

Subject: Guidance in the treatment of lessees who have filed for relief under Chapters 7 and 11 of the Bankruptcy Code 11 U.S.C. §101, et seq.

You have requested general guidance on issues that arise when holders of Federal mineral leases file for protection under the bankruptcy laws. 11 U.S.C. §101 et seq. A general overview of bankruptcy law is provided for a better understanding of specific provisions as they relate to areas of concern to the Bureau of Land Management (BLM).

I. Chapter 7 and Chapter 11 Proceedings

Holders of Federal mineral leases will be primarily involved in either a Chapter 7 or a Chapter 11 bankruptcy proceeding. Essentially, a Chapter 7 proceeding is a liquidation process in which the assets of the debtor are sold and the creditors paid from the proceeds. A trustee is always appointed in a Chapter 7 bankruptcy, and is responsible for conducting the business of the estate (the assets of the bankrupt) pending liquidation.

Unlike a Chapter 7 dissolution proceeding, a Chapter 11 bankruptcy anticipates that the debtor will continue to exist and operate after the bankruptcy concludes. A Chapter 11 proceeding allows for a restructuring of the debts of the debtor through a plan of reorganization that is submitted to and confirmed by the court. The plan is designed to provide some return to creditors while enabling the company to be viable again by preserving those assets necessary to carry out the business of the debtor. In a Chapter 11 case, a trustee may or may not be appointed. Absent the appointment of a trustee, the debtor runs the affairs of the

business. (References to "trustee" below also apply to the debtor if no trustee is appointed.) Generally, the trustee or debtor may run the business in its ordinary course without hearings before the bankruptcy court. For purposes of discussion, the information below applies equally to Chapter 7 and Chapter 11 cases except where otherwise noted.

ii
II. Acceptance or rejection of executory contracts and unexpired leases under 11 U.S.C. §365

The Bankruptcy Code provides that, subject to the court's approval, a debtor in bankruptcy or its trustee may accept or reject executory contracts and unexpired leases. 11 U.S.C. §365(a).^{1/} This provision recognizes that certain contractual obligations incurred by the debtor may be particularly burdensome and that performance of them would thwart the primary goal of bankruptcy which is the recovery of the debtor from its financial difficulties. Section 365 was enacted to avoid this problem and empowers the trustee to accept those leases that benefit the bankrupt estate and reject those that are burdensome.

Although the trustee may assume or reject any executory contract or unexpired lease of the debtor,^{2/} certain safeguards exist for the creditor if a default has occurred in the lease. If a default exists, the trustee may not assume the lease unless the trustee -

1. cures or provides adequate assurance that he will promptly cure the default; ✓
2. compensates, or provides adequate assurance that he will promptly compensate, the creditor for any actual pecuniary loss resulting from the default; and
3. provides adequate assurance of future performance under the lease.^{3/}

^{1/} An executory contract is a contract that has not as yet been fully completed or performed. Blacks Law Dictionary 512 (5th ed. 1979).

^{2/} 11 U.S.C. § 365(a) (1982). This provision was not affected by the 1984 amendments although the procedures to be followed by the trustee were amended as described below.

^{3/} 11 U.S.C. § 365(b)(1) (1982).

On July 10, 1984, Congress amended certain provisions of the Bankruptcy Code, including section 365. Public Law 98-353; 98 Stat. 361. Section 553 of the 1984 amendments provides that such amendments become effective for cases filed 90 days after the date of enactment that is, October 8, 1984. Therefore, in determining the current status of the lease, it is important to ascertain whether the petition for bankruptcy was filed before or after October 8, 1984.

A. Pre-October 8, 1984 Bankruptcy. In a Chapter 7 bankruptcy case, if the trustee does not assume or reject the lease within 60 days after the order for relief,^{4/} then the lease is deemed rejected.^{5/} The Court may within such 60-day period grant additional time for cause. Prior to the 1984 amendments, petitions filed under Chapter 11 were not restricted by the 60-day limitation. For Chapter 11 petitions filed prior to October 8, 1984, the trustee may assume or reject an unexpired lease any time prior to the confirmation of the reorganization plan. Upon request of a party to the lease,^{6/} however, the court may order the trustee to decide within a specified time period whether to assume or reject the lease.^{7/}

B. Petitions filed after October 8, 1984. The 1984 amendments added several important provisions to section 365. A new provision requires the trustee to perform timely all obligations of the debtor under the lease arising from and after the order

^{4/} The bankruptcy process begins with the filing of a petition in the bankruptcy court. If the petition is filed by a debtor seeking relief, then the case is considered voluntary. The filing of a voluntary petition constitutes an order for relief. 11 U.S.C. § 301 (1982). Therefore, the 60-day period would be measured from the date of filing. The bankruptcy petition may also be filed by certain creditors of the debtor. Such a case is deemed to be involuntary. In an involuntary bankruptcy case, the order for relief is entered after the petitioners prevail at trial or upon default if the petition is not timely controverted by the debtor. 11 U.S.C. § 303 (1982).

^{5/} 11 U.S.C. 365(d)(1) (1982)

^{6/} This request is made by formal motion to the court under Bankruptcy Rules (BR) 6006 and 9014.

^{7/} 11 U.S.C. 365(d)(2) (1982).

for relief until such lease is assumed or rejected.^{8/} Furthermore, the time difference between Chapter 7 and Chapter 11 bankruptcies as it relates to assumption of the lease has been abolished. If the trustee does not assume or reject the lease within 60 days after the date of the order for relief (see footnote 4, *supra*), the lease is deemed rejected and the trustee must immediately surrender the property to the lessor.^{9/} The court may grant additional time for cause within such 60-day period. Now that the trustee in both Chapter 7 and Chapter 11 proceedings must decide to assume or reject the lease within rather short timeframes, BLM may wish to establish whether the lease is in default and what actions are necessary to cure such default.^{10/} Since the trustee is responsible for the timely performance of all debtor's obligations under the lease, BLM may establish contact with the trustee to advise the trustee of the debtor's obligations and to see that they are carried out.

If you encounter a situation in which the petition has been filed for a period longer than 60 days, it is necessary to contact either the trustee or the court to determine whether the lease has been accepted or rejected. Be aware that the power of the trustee to assume or reject unexpired leases is subject to court approval.^{11/} Even if you are advised by the trustee of its

^{8/} 11 U.S.C. 365(d)(3) (1984 Supp.)

^{9/} 11 U.S.C. 365(d)(4) (1984 Supp.)

^{10/} This would primarily include incidents of noncompliance and unpaid royalty. Failure to pay rent timely is not considered a default because it results in an automatic termination of the lease. If failure to pay rent occurs and the lease terminates by its own terms, such termination is not precluded by the automatic stay (discussed in part IV below). Likewise, since failure to pay rent terminates the lease, the ability to continue or reject the lease normally afforded the debtor under 11 U.S.C. § 365(a) is no longer an option. *In re Trigg*, 630 F.2d 1370 (10th Cir. 1980).

^{11/} Section 365(a) of the Bankruptcy Code requires approval of the court for the assumption or rejection of an executory contract or unexpired lease by the trustee. Such approval is obtained by a proceeding before the court. Bankruptcy Rule 6006(a) provides that a proceeding to assume or reject an executory contract or unexpired lease, other than part of a plan, (footnote continued)

intention to assume the lease, such decision may not be binding without approval of the court. Furthermore, even if the 60 days has lapsed and the trustee has not acted to assume or reject the lease, you should not assume that it is deemed rejected without first ascertaining whether the court has granted an extension of time during the 60 day period. Finally, if the 60 day period has rph, no assumption or rejection has occurred, and the court has not granted an extension of time, it is prudent to notify the court and the trustee of your intention to make the lands available for leasing before actually doing so even though the lease is deemed rejected.

III. Discrimination Against Debtors

The Bankruptcy Code prohibits a governmental unit from denying, revoking, or suspending "a license, permit, charter, franchise, or other similar grant to . . . a person that is or has been a debtor under [the Bankruptcy Code] . . . or another person with whom such . . . debtor is associated, solely because such . . . debtor is or has been a debtor under this title . . . or has not paid a debt that is dischargeable" ^{12/} The purpose of this provision is to ensure that the debtor is given the "fresh start" to which he or she is entitled under the terms of the bankruptcy discharge. Any policy that would treat bankrupts

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is governed by Rule 9014. If the acceptance or rejection of an unexpired lease is provided for in the reorganization plan, then the approval of the plan by the court would necessarily constitute approval of the rejection or assumption of the lease and a separate proceeding would not be necessary.

Rule 9014 sets forth procedures to be followed relating to contested matters in general, and requires that relief sought under the rule be requested by motion to the court. The motion is required to be served in the manner prescribed for service of a summons or complaint by Rule 7004, which calls for delivery of the complaint to the United States attorney and sending a copy by registered or certified mail to the pertinent agency.

There is no specific provision for notifying the lessor in those situations where the trustee neither accepts or rejects within the 60-day period and the lease terminates by operation of law. If you seek to determine the status of such leases, you should coordinate with the Regional Solicitor.

12/ 11 U.S.C. 525

differently simply by virtue of the bankruptcy would violate this provision. Thus, pending lease offers and applications for approval of assignment should be processed in the ordinary course of business. This does not mean, of course, that lease offers by applicants in bankruptcy must automatically be granted if other valid reasons for rejection exist. In the event you become concerned with the status of a particular bankruptcy, you should consult with the appropriate Office of the Solicitor.

IV. Automatic Stay

Upon the filing of a petition under either Chapter 7 or Chapter 11, the automatic stay provisions of 11 U.S.C. 362(a) become effective. The stay prevents "the commencement or continuation . . . of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the [bankruptcy] case;" the enforcement of a judgment obtained against the debtor before the commencement of the bankruptcy case; the taking of any other action "to collect, assess, or recover a claim against the debtor that arose before the commencement of the [bankruptcy] case;" and "the setoff of any debt owed to the debtor that arose before the commencement of the [bankruptcy case] against any claim against the debtor." The stay is applicable against all entities, including agencies of the United States government. This provision was implemented to insure that the bankruptcy is an orderly process and to safeguard the assets of the bankrupt estate.

Certain actions are exempt from the automatic stay under section 362(b) of the Code, including "(4) . . . the commencement or continuation of an action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power;" and, "(5) . . . the enforcement of a judgement, other than a money judgement, obtained in an action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power." The automatic stay remains in effect until a discharge is granted or denied, the case is dismissed, or the case is closed, whichever occurs first.^{13/} The exceptions to the stay have been interpreted narrowly by the courts. Generally, any exercise of a regulatory power to protect a purely pecuniary interest of the United States would be considered a violation of the stay. Exercise of power to protect the public health, safety and welfare would properly come within the exceptions.

^{13/} 11 U.S.C. 362(c)(2).

V. Operational Questions and Considerations

In the past, the State Director, Colorado State Office, requested guidance relating to specific operational problems encountered by field personnel in dealing with bankruptcy issues. These issues were thoroughly researched and succinctly addressed in a memorandum from the Regional Solicitor, Rocky Mountain Region. In that the problems are likely to be encountered by other state offices, these questions and the answers provided by the Regional Solicitor, Rocky Mountain Region, in her March 5, 1986 memorandum to the Colorado State Director are set forth in the remainder of this section.

The questions addressed were:

1. Can we require full compliance with applicable regulations and terms and conditions of the various lease, grants, permits, etc., within the normal timeframes?
2. Should we issue Notice of Incidents of Noncompliance under 43 CFR 3160, when applicable?
3. Can we assess damages and/or penalties under 43 CFR 3163.3 and 43 CFR 3163.4?
4. Can we attach a bond to obtain compliance?
5. Can we shut down operations?
6. Can we terminate a lease, grant, or other permit?
7. Is it our responsibility to initiate contact with the bankruptcy court's trustee in resolving noncompliance problems; and, should the trustee be our point of contact in bankrupt cases?

Set out below are the responses of the Regional Solicitor with certain deletions to avoid repetition of our earlier discussion and with the footnotes renumbered.

A. An Operator in Bankruptcy

An operator of an oil and gas lease that is not also a lessee of the lease gains its rights from being designated by the lessee. 43 C.F.R. 3162.3(a) (1985). For the purposes of this discussion, we will assume that the operator has merely been "designated" under this regulation, rather than having been assigned operating

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rights.^{14/} In essence, the operator is the agent of the lessee and has a direct contractual relationship with the lessee, not the United States.^{15/} Therefore, there is no executory contract vis-a-vis the BLM.^{16/} However, the BLM regulations make the designated operator liable for violations of lease terms, regulations, and NTL's (notices to lessees). If a default has occurred, your enforcement can proceed regardless of whether the default occurred before or after the bankruptcy action was filed.

The automatic stay does not apply "where a governmental unit is suing [or otherwise proceeding against] a debtor to prevent or stop violation of fraud, environmental protection, consumer protection, safety, or similar police or regulatory laws, or attempting to fix damages for violations of such a law." H.R. No. 95-595, p. 343, reprinted in 1978 U.S. Code & Cong. Admin. News, p. 6299. Therefore, so long as your action is not simply seeking to protect the pecuniary interest of the United States, you may enforce the regulations and issue notices of incidents of noncompliance pursuant to your normal time frames^{17/} for infractions that occurred prior to a filing of a bankruptcy.

^{14/} Any difference in result if operating rights had been assigned will be addressed in a supplementary opinion.

^{15/} At most, the United States is a third-party beneficiary of the contract between the lessee and operator.

^{16/} If the operator holds a right-of-way, it would be an executory contract. See part V.B., infra, for differences in the treatment when an executory contract is involved.

^{17/} The legislative history shows that the exception to the automatic stay is intended to be narrowly construed to apply to police and regulatory actions, "not . . . to actions by a governmental unit to protect a pecuniary interest in property of the debtor or property of the estate." Statement of Hon. DeConcini, 124 Cong. Rec. S17406 (October 6, 1978); reprinted in 1978 U.S. Code Cong. & Adm. News, p. 6513. It is our belief that the regulations you enforce are not such "pecuniary" interests. However, an action by Minerals Management Service to recover past due royalties might be stayed against the operator.

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Moreover, the automatic stay provisions do not apply to defaults that arise after the filing of the bankruptcy action. Matter of M. Frenville Co., Inc., 744 F.2d 332 (3rd Cir. 1984). Therefore you should continue to enforce the regulations against the operator.

By enforcing the regulations and lease terms against the operator, we mean that remedial action may be sought. Normal time frames may be employed for a correction of both postpetition and prepetition violations of operational requirements.^{18/} Additionally, assessments of fines and damage calculations may be made. The operator should be rendered an appealable decision and be made to exhaust its administrative remedies. Actual collection of any money, however, might not be allowed, regardless of whether the default occurred before or after the bankruptcy filing.

The exception from the automatic stay is merely for governmental enforcement proceedings. An injunction (or order to perform) may be enforced and an entry for a monetary judgment may be obtained. 11 U.S.C. § 362(b)(4). Collection of the dollar judgment might not be allowed. The legislative history states the following:

Since the assets of the debtor are in the possession and control of the bankruptcy court, and since they constitute a fund out of which all creditors are entitled to share, enforcement by a governmental unit of a money judgment would give it preferential treatment to the detriment of all other creditors.

Actions against any property of the estate are generally stayed. 11 U.S.C. § 362(a)(3).^{19/}

^{18/} As was noted above and will be discussed below, if an executory contract is involved, the court may grant extensions of time to correct postpetition defaults. The operator, however, is in a contractual relationship with the lessee, not the United States. Therefore, the court should not be able to alter the operator's regulatory requirements. Moreover, such relief is not automatic but must be requested.

^{19/} Two cases have been located where such activities have been allowed since the actions were a part and parcel of the agency's regulatory action. For instance, the Office of Surface Mining was allowed to collect a civil penalty. U.S. v. Energy Intern., Inc., 19 B.R. 1020 (D.C. Ohio 1981). The Securities and Exchange
(footnote continued)

However, you are not without resources to collect any sums owing or to seek remedial actions if the operator fails to perform such corrections of lease violations. The lessee of record remains liable for lease operations despite the presence of an operator. 43 C.F.R. 3162.3 (1985). Therefore, if you have knowledge that an operator is in bankruptcy and might prove recalcitrant, notify the lessee by copy of any notice, decision, or order you might file on the operator. This would enable the lessee to respond. Additionally, the operator's bankruptcy has no effect on the operator's surety. The operator's bond is thus a source of payment. Moreover, if you comply with the notice provisions of the regulations, lease cancellation or shutdowns may be sought. 43 C.F.R. 3163.2 (1985).^{20/}

B. When the Lessee is the Debtor

Generally, the remedies available if the lessee is conducting oil and gas operations are the same as when an independent operator is in charge. The automatic stay provisions will not generally prevent your enforcement actions. The exception would be that lease cancellation might not be available. If the lease terms require action to terminate the lease, the stay might apply. Cf. In re Trigg, 630 F.2d 1370 (10th Cir. 1980) (automatic termination for failure to pay rentals not stayed.) The same is

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Commission was allowed to have a receiver appointed as part of injunctive relief. S.E.C. v. First Financial Group of Texas, 645 F.2d 459 (5th Cir. 1981). Other cases, however, refuse to allow collection of a judgment. Although we might in an appropriate situation attempt to push the "penalty" exception noted in the Energy International case, this might only be expeditious if there are no alternative parties to pay or if the violations were particularly egregious - i.e., theft or extreme environmental or safety violations.

^{20/} If the operator had a right to earn an interest in the lease by performance of various obligations, a bankruptcy court might view the lease as "property" of the estate and the automatic stay might be applicable. However, you normally do not know the terms of such agreements. A copy of any shut-in or proposed cancellation orders should therefore be filed on the operator as well as the lessee. That would enable you to ascertain whether or not the lease is within the estate.

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true for rights-of-way. See 43 C.F.R. 2883(6) (1985).^{21/} Additional considerations, however, exist since the oil and gas lease is an executory contract.

As was stated above, an executory contract may be either accepted or rejected by the debtor. Prior to acceptance, the lease is in a certain state of limbo--especially if the bankruptcy action was filed prior to October 8, 1984. If this is the case and you note defaults in lease operations, you should apprise the Regional Solicitor if no response is made to your orders. Either the Solicitor or the U.S. Attorney can investigate the status of the proceeding.^{22/} A motion may be filed with the court seeking to compel the lessee to accept or reject the lease. The benefit of such a move would be that, if acceptance is desired by the debtor, all defaults must either be cured or adequate assurance of prompt cure be given. Adequate assurance of future performance is also necessary. Both prepetition and post-petition defaults need to be addressed by the debtor. Consequences of rejection are discussed below.

If the lessee decides to reject the lease rather than accept it, in essence, a relinquishment occurs and the BLM can file a claim for damages that would relate back to the date of filing of the action. The extent of this claim is questionable. Some case law exists to state that, when a lease is rejected, the condition of the premises is immaterial and no obligation exists to compel the debtor to repair. In re Stable Mews Associates, 41 B.R. 594 (Bkrtcy. N.Y. 1984). However, the Supreme Court recently held

^{21/} Emergency suspensions may proceed, however. These are similar to injunctions and are exercises of your regulatory power. See 43 C.F.R. 2883.5 and 43 C.F.R. 3163.2(b) (1983). Please also note that the bankruptcy court may stay actions that are not "automatically stayed" - i.e., terminations for nonrental payments. This would require a court order.

^{22/} A lessor is in an awkward position in a bankruptcy proceeding. If no sums are owing on the date the action is filed, the lessor has no "claim" and is not a "creditor." Therefore, notices of activities within the proceeding need not be filed on the U.S. Attorney or the BLM. In re Waipuna Trading Co., Inc., 41 B.R. 812 (Bkrtcy. Hawaii 1984). It appears that notice would only have to be given to the lessor as a "party in interest" if lease acceptance or rejection is being considered. Bankruptcy Rules 3017 and 6006. Matter of Artic Enterprises, Inc. 16 B.R. 153 (Bkrtcy. Minn. 1981).

that a debtor cannot abandon property that is burdensome if such abandonment is contrary to State environmental laws. At issue was a hazardous waste site. Environmental laws of New York and New Jersey required various actions prior to closure. Matter of Quanta Resources Corp., 739 F.2d 912 (3rd Cir. 1984), aff'd, 54 L.W. 4138 (January 27, 1986).

Therefore, we believe that, if a lessee attempts to reject a lease, you should insist that departmental regulations dealing with relinquishments be followed, to wit:

A lease or any legal subdivision thereof may be surrendered by the record title holder by filing a written relinquishment, in the proper BLM office. A relinquishment shall take effect on the date it is filed subject to the continued obligation of the lessee and surety to make payments of all accrued rentals and royalties and to place all wells on the lands to be relinquished in condition for suspension or abandonment in accordance with the regulations and the terms of the lease. 43 C.F.R. 3108.1 (1985) (emphasis added).

A claim for the cost of complying with the underlined provision should be made or the court should be requested to order the same to be completed by the debtor as a condition of rejection.^{23/} Any claims for fines or assessments levied during the pendency of the action should also be submitted. Accrued rental and royalties would most likely be normal creditor claims in the bankruptcy proceedings.^{24/}

Potentially more relief avenues exist if the bankruptcy action was filed on or after October 8, 1984. Pursuant to the 1984 amendments to the Bankruptcy Code discussed above, acceptance or rejection must occur within a specified time period and lease terms must be complied with in the interim. Hence, you should enforce all regulations, with the caveat that the bankruptcy

^{23/} It is noted that in a Chapter 7 liquidation case, the Supreme Court held that an affirmative injunction requiring a party to clean up a polluted site may be discharged in bankruptcy if the State's action is at a point where only a money payment could fulfill the obligation. Ohio v. Kovacs, 469 U.S. _____, 83 L. Ed. 2d 649, 105 S. Ct. _____ (1985). Therefore, you should seek compliance while the debtor still has ties to the lease and has some operative ability, rather than after we repossess the lease and perform the shutdown ourselves.

^{24/} Those that accrued between the date of filing and the date of rejection would have priority in a distribution of assets.

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court could extend the time for performance of orders issued within the first 60 days after the bankruptcy action was filed. Eventual acceptance or rejection will have the same consequences as discussed above.

If a plan of reorganization is thereafter confirmed, all claims existent prior to the date of the confirmation of the plan are discharged. 11 U.S.C. § 1141 (1984). What replaces these claims is the debtor's obligation to comply with the plan. In it, preexisting obligations may be compromised or extended or even forgiven. Therefore, if the plan seeks to accept a lease, then the ability of the lessee to remedy past defaults and assure future performance must be scrutinized. If the lease is rejected, the BLM--like any other creditor--must attempt to receive the best deal possible. However, you should note that, if there is any hope that a debtor can emerge from a bankruptcy as a viable business, the bankruptcy court will tend to favor the debtor over the creditors. After confirmation of the plan, the debtor or a reorganized entity created by the plan must perform future obligations just as any other party would be required to act unless the plan provided otherwise.

VI. Corporations in Bankruptcy

Generally, the applicability of the bankruptcy laws in the case where the debtor is a corporation may be influenced by the corporate structure. A corporation is regarded in law as having a personality and existence distinct from that of its several members.^{25/} Essentially, the act of incorporation creates an artificial person. That corporate entity is capable of owning stock in other corporations. Since even a wholly-owned subsidiary is considered to be a separate legal entity under the law, the bankruptcy of the parent corporation will not necessarily be imputed to the subsidiary. Although the stock owned by the first corporation will be considered an asset of its bankrupt estate, it does not follow that the property owned exclusively by the subsidiary will be impacted in any way.

A subsidiary corporation should not be confused with a corporate subdivision. A corporation may structurally have numerous operational subdivisions, none of which are incorporated separately. As such, they have no independent legal status and are considered part of the corporation. Accordingly, bankruptcy by the corporation would impact all of the assets and property held by its subdivisions.

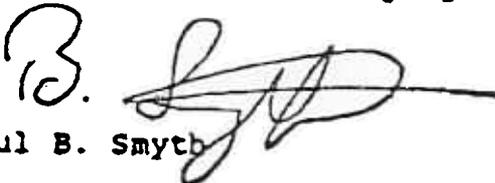
^{25/} Blacks Law Dictionary 307 (5th ed. 1979).

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VII. SUMMARY

Generally, you should not cease your regulatory activities due to a bankruptcy proceeding. Performance should be expected and fines and assessments levied if the same is not forthcoming. You should note, however, that you might not be able to collect money from the debtor and in certain circumstances might not be able to terminate use authorizations. The liabilities of parties other than the one in bankruptcy are not affected.

This memorandum is intended to provide general guidance concerning those areas of bankruptcy that may impact BLM's policies and programs. It is not intended to answer every question that may arise during the course of a specific bankruptcy case. It should be emphasized that many of the general principles outlined in this memorandum may be subject to exception or qualification in specific instances. It is also not unusual to receive various interpretations of the same provision depending upon the court in which the action is filed. We therefore encourage close coordination with the Regional Solicitor when bankruptcy is an issue.


Paul B. Smyth