

FLUID MINERALS BOND PROCESSING USER GUIDE

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: <ol style="list-style-type: none"> 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). <p><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.</p>	FIELD OFFICE BOND INCREASE JUSTIFICATION MEMORANDUM
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. <p>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:</p>	JUSTIFICATION REPORT PROVIDED
	4a.	Amount required for the increased bond;	INCREASED BOND COMPLIANCE DEMAND

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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

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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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	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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