

## FLUID MINERALS BOND PROCESSING USER GUIDE

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

**FLUID MINERALS BOND PROCESSING USER GUIDE**

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).

**FLUID MINERALS BOND PROCESSING USER GUIDE**

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

**FLUID MINERALS BOND PROCESSING USER GUIDE**

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

## FLUID MINERALS BOND PROCESSING USER GUIDE

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.	

## FLUID MINERALS BOND PROCESSING USER GUIDE

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

## FLUID MINERALS BOND PROCESSING USER GUIDE

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 <b>later</b> 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.	

## FLUID MINERALS BOND PROCESSING USER GUIDE

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