



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
New Mexico State Office
301 Dinosaur Trail
Santa Fe, New Mexico 87508
<https://www.blm.gov/new-mexico>

In Reply Refer To:
3104 (NM9220)

January 30, 2025

BONDING INFORMATION FOR FEDERAL OIL AND GAS LEASES

Bond Amounts

The minimum required amount is \$150,000 for an individual bond and will provide coverage for the principal on the single federal lease identified on the bond form. The minimum required amount is \$500,000 for a statewide bond and will provide coverage for the principal on federal leases in the state identified on the bond form. The level of bond coverage you choose will depend on the extent of your operating plans.

Bond Form

The only bond forms that are acceptable are Forms 3000-4 and 3000-4a. Form 3000-4 is the oil and gas lease bond form, while 3000-4a is used to provide coverage for geophysical exploration operations only. In addition to covering the principal as lessee and/or holder of operating rights, the oil and gas bond form provides coverage for the principal as operator, including unit operator, regardless of whether or not that principal holds record title or operating rights interests in the leases. [Form 3000-4, Oil and Gas or Geothermal Lease bond](#) may be used for coverage of the principal on individual or statewide coverage and with either a personal or surety bond.

Whichever type of bond you choose, Form 3000-4 must accompany your bond.

Methods of Bond Coverage

Bonds may be furnished by one of the following methods per Title 43 Code of Federal Regulations (CFR) 3104.10:

1. Surety Bond issued by qualified surety companies approved by the Department of the Treasury as listed in Department of the Treasury Circular No. 570, published on July 1 of each year.
2. Personal bond accompanied by one of the following financial guarantees:
 - a. Cash equivalents such as Cashier's Checks or Certified Checks
 - b. Certificate of Deposits issued by a Federally insured financial institution
 - c. Irrevocable Letters of Credit (LOC) issued by financial institutions whose deposits are federally insured
 - d. Negotiable bonds or notes issued by the United States

U.S. Savings Bonds and notes or bonds issued by state or local governments or private companies are not acceptable forms of securities. **Personal bonds in the form of certified checks, cashier's checks, Letters of Credit, or Certificates of Deposit need only be accompanied by a fully-completed Form 3000-4. In addition to the bond form, personal bonds secured by negotiable securities must be accompanied by information regarding the securities, detailed on Attachment 1. Attachment 2 describes the requirements applicable to certificates of deposit submitted with Form 3000-4; and Attachment 3 details the conditions to which irrevocable letters of credit accompanying Form 3000-4 are subject.**

Please note that Form 3000-4 contains a power of attorney granting the Secretary of Interior 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 out of any default in the performance of the terms of any lease covered by the bond.

The regulations at 43 CFR 3104.20 require that the operator on the ground be bonded in one of the following ways:

1. The operator may conduct operations under the operator's own bond by providing the bond number and furnishing a statement that the principal is responsible under the terms and conditions of the lease for the operations conducted on that lease. Submission of an APD or a sundry notice or a letter to the District or Resource Area office will satisfy this "self-certification" requirement.
2. The operator may conduct operations under any one of multiple existing lessee bonds currently providing bond coverage for a lease by providing consent of surety rider on one bond which would allow the operator to use that one existing lessee's bond. Upon our receipt of the consent of surety, the operator and the remaining lessees would be relieved of the responsibility to provide additional bond coverage, and those lessees maintaining individual lessee bonds could request termination of those bonds.
3. The operator may conduct operations under a new lessee's bond only if consent of surety/obligor rider is filed wherein the principal and surety on the bond specifically agree that the coverage of the bond extends to such operations. Attachment 4 contains sample consent of surety.

If you need further information, please contact us at one of the following phone numbers:

Lauren Leib
(505) 954-2234

JulieAnn Serrano
(505) 954-2149

Information Access Center
(505) 954-2098

4 Attachments

- 1 – Bonds Secured by Certificates of Deposit
- 2 – Bonds Secured by Irrevocable Letters of Credit & Sample Letter
- 3 – Bonds Accompanied by U.S. Treasury Securities
- 4 – Operator Rider Form

Bonds Secured by Certificates of Deposit

Regulations 43 CFR 3104.10(c)(1) effective June 22, 2024, allow the acceptance of Certificates of Deposit (CD) to secure personal oil and gas bonds. The following items are required and will be verified by BLM to determine the acceptability of a CD:

1. The CD must be issued by a financial institution which is federally insured, and the full deposit must be federally insured.
2. The name, street address and phone number for the financial institution must be on the face of the CD.
3. The CD must be issued to the Department of Interior, Bureau of Land Management, or adequate proof must be provided that the right to payment of the principal under the CD has been assigned to Department of Interior, Bureau of Land Management, together with proof that the issuing bank has changed its records to reflect that ONLY Bureau of Land Management may collect the face amount of the CD and that the CD is for the benefit of the Bureau of Land Management.
4. The CD must bear the statement that it is immediately payable to Department of Interior, Bureau of Land Management in the full amount of the required bond without penalty for early withdrawal.
5. There should be no expiration of the time in which the CD may be collected by the Bureau of Land Management.
6. The CD must be automatically renewable.
7. The face of the CD and signature page must bear the statement: "Secretary of the Department of Interior, Bureau of Land Management or his/her authorized officer's approval is required prior to the redemption of this certificate by any party." By this statement on the face of the CD, the financial institution acknowledges that the CD may not be released unless both the financial institution and the obligor are advised by a decision from the BLM office holding the CD as security for the bond, that the CD has been released. When the CD is no longer required, or has been replaced, the original CD will be returned to the financial institution, along with the financial institution's copy of the decision releasing the CD. Under no circumstances is the CD to be released without a decision, from the BLM office holding the original CD as security for the bond, stating that the CD has been released.
8. The CD must be accompanied by a fully completed bond form 3000-4, filled out as a personal bond, and executed by the obligor on the back of the form. This form includes a power of attorney granting the Secretary of the Interior full power to assign, appropriate, apply or transfer the deposit or any portion thereof, for the satisfaction of any damages, assessments, late payment charges, penalties, or deficiencies arising out of any default in the performance of the terms of any lease covered by the bond.
9. Interest on the CD should be payable to the CD purchaser, not the Department of Interior, Bureau of Land Management. The tax ID number should be applicable to the party receiving the interest. CD interest statements should be sent to the CD purchaser as well, not the BLM.

If there is a question about any of the above identified items, the BLM office will informally contact the financial institution issuing the CD for information or clarification.

Bonds Secured by Irrevocable Letters of Credit

The following items will be verified by BLM to determine the acceptability of a LOC:

1. Please submit the LOC on bank letterhead stationery. Include the bank address and phone number for future reference.
2. The document must be immediately payable upon demand by and to the Department of the Interior-BLM (DOI-BLM) in the full amount of the required bond (e.g., \$150,000 for a lease bond or \$500,000 for a statewide bond).
3. Unless the LOC is being submitted as replacement security for an existing personal bond, the LOC must be accompanied by a fully completed Form 3000-4. Form 3000-4 must be completed as a personal bond when submitted with the LOC. This form includes a power of attorney granting the Secretary of the Interior full power to assign, appropriate, apply or transfer the deposit or any portion thereof, for the satisfaction of any damages, assessments, late payment charges, penalties, or deficiencies arising out of any default in the performance of the terms of any lease covered by the bond.
4. The stated expiration date of the LOC must be at least one (1) year following the filing of the letter in the proper BLM office. The effective date must also be stated on the LOC and immediately after the effective date the LOC must also state "however, this credit will automatically be extended for periods of one year from any scheduled expiration date".
5. The LOC must contain a clause providing that, in the absence of notice from the financial institution to the Authorized Officer at least 90-days prior to the stated or any extended expiration date not to renew the credit represented by the letter of credit, the letter of credit will be automatically renewed in full force and effect for an additional one-year period.
6. The LOC must authorize BLM to exercise the right to collect the full amount of credit from the financial institution in the event of either: (1) a default occurring prior to the expiration date (including any extended date); or (2) failure of the obligor to furnish an acceptable substitute bond at least 30-days prior to the expiration of the LOC if the financial institution gives the proper 90-day requirement of its intent not to renew the LOC.

If there is a question about any of the above identified items, the BLM office will informally contact the financial institution issuing the LOC for information or clarification.

IRREVOCABLE LETTER OF CREDIT

Issuing Financial Institution : No. : (filled in by bank)

Telephone No. :

Address : Amount :

City : O&G Lease No.: (If \$150,000.00)

Date Issued :

State, Zip : Date Filed : (BLM)

On behalf of (Name and Address of Party Requesting Financial Institution to Issue the as Obligor, we (name of Financial Institution, hereafter referred to as "bank"), hereby establish an irrevocable Letter of Credit (LOC) in favor of the Bureau of Land Management (BLM) and agree to immediately pay upon demand by and to the Department of the Interior--BLM, the full amount of (Amount--written out) Dollars (\$ (figures)), upon receipt of a written demand therefore by the Authorized Officer (AO) of the BLM retaining the personal bond of the obligor whose bond this letter serves as security pursuant to Title 43 CFR Section 3104.10.

This LOC is effective _____ and will expire either at the close of business or at midnight _____; however, this credit will automatically be extended for periods of not less than one 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 AO originally accepting this letter, or his/her successor, by Certified Mail-Return Receipt Requested, that we elect not to renew this letter for such additional period.

Upon receipt by the AO of a non-renewal notice from us not to renew this letter, the AO may draw on us at sight for for up to the amount of this LOC, prior to the expiration thereof, provided that such draft is accompanied by a statement signed by the AO to the effect that no satisfactory replacement bond has been provided by the obligor prior to 30 days before this LOC expires, pursuant to 43 CFR 3104.10(c)(5)(v).

It is also understood that, at any time this LOC is in effect, the AO may draw on this LOC for any amount, up to the full amount, 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 lease(s) to which the bond applies.

Such drawing shall be accompanied by a statement signed by the AO 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 AO, in order to draw on this LOC 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 AO will promptly surrender the original letter when and if the bank shall tender to the AO 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 shall also be surrendered promptly following its expiration provided that no drawing on such letter was made prior to such expiration.

We assure that the amount of credit herein established will not be reduced for any reason during the effectiveness of this letter without the prior written approval of the AO.

In the event that we, the bank, become unable to fulfill our obligations under this LOC for any reason, notice shall be given immediately to the Obligor and the AO.

We certify that we have received a copy of the personal bond which the obligor will file with the AO and we understand that this LOC may be used, until it expires as a result of notice we give to the AO, for all matters to which the bond applies. We also certify that the deposits of this bank are Federally Insured under (specify the plan, e.g., FDIC or FSLIC). As used above, AO refers to Land Law Examiner, BLM, New Mexico State Office, 301 Dinosaur Trail, Santa Fe, NM 87508.

WITNESS

NAME OF FINANCIAL INSTITUTION

ADDRESS OF WITNESS

BY:

TITLE:

Typed Name and Title of Officer

ATTEST: (SEAL)

The Letter of Credit should bear the Seal of Issuing Bank. If the laws of the State under which the bank is chartered do not require a seal for the bank, there may be substituted therefor the statement that the bank has no seal and is not required to have one by virtue of (Statutory Citation)

If desired, the bank may complete any acknowledgement appropriate for the State in which the Letter is issued; although, acknowledgement is not required.

Bonds Accompanied by U.S. Treasury Securities

The following information is provided to assist the applicant in obtaining a U.S. Treasury Note to be used as security for BLM bonds. The Federal Reserve Bank (FRB), who serves as a fiscal agent of the United States to administer investments of the Department of the Treasury, records and monitors these book-entry government obligations by an accounting entry or electronic record once pledged by the obligor. Once the collateral is pledged on behalf of the BLM, neither the obligor nor the bank will be able to access the security without BLM providing authorization to the FRB to do so.

Therefore, when you, as the obligor, contact your bank to purchase a negotiable Treasury security, you should 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 coverage).
3. The type of 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 Negotiable Securities Custodian at the Denver Service Center's Branch of General Accounting. The Negotiable Securities Custodian will then contact both the servicing FRB or branch and the obligor's bank to authorize the transfer of the security to BLM's book entry account with the Federal Reserve Bank.

When the security is transferred to BLM's book entry account with the Federal Reserve Bank, 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 New Mexico State Office by Alpha Corporation for Oil and Gas Lease NMNM12345678."

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

1. A fully completed bond Form 3000-4, which includes a power of attorney which authorizes the Secretary of the Interior to collect the funds in case of default in the lease terms.
2. A copy of the "Acknowledgment of Book-Entry Deposit, Release of Account Transfer," which the FRB will send to your bank. This will constitute proof that the security is in BLM's book entry account with the Federal Reserve Bank. This document also provides BLM with the date of the transfer.
3. A transaction document from your bank to verify that the amount you paid for the security, excluding any commission fee and accrued interest, equals or exceeds the bonding requirement amount. 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 principal 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 BLM will then notify the obligor by written decision: 1) that the personal bond has been accepted; 2) the BLM Bond Number assigned to the bond; and 3) the date bond coverage is effective. The BLM office will also furnish a copy of its bond acceptance decision, along with a copy of "Acknowledgment of Book-Entry Deposit, Release of Account Transfer," to the Negotiable Securities Custodian (OC-615).

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 account or savings account, etc.). The obligor's financial institution will be responsible for sending a 1099-INT form to the obligor for interest paid the previous calendar year.

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

If bond coverage is no longer required, or if replacement bond coverage is provided prior to the maturity date of the security, the BLM office will send a memo requesting that the Negotiable Securities Custodian direct the FRB to transfer the security from BLM's book entry account to the obligor's bank.

If bond coverage is no longer required, or if replacement bond coverage is provided after the maturity date of the security, the BLM office will send a memo requesting that the proceeds of the matured security be transferred from BLM's book entry account to the obligor's bank.

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

Bond Rider Extending Coverage of Bond to Assume Liabilities for Operations Conducted by Parties Other Than the Principal (Consent of Surety)

BLM Bond Number: _____

Surety Bond Number: _____

Lease Serial Number: _____

RIDER

This rider is being submitted to comply with 43 CFR 3104.20 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 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 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 _____, 20 _____.

Name of Witness

Name of Principal

Address of Witness

Signature and Title of Person Executing for Principal

Principal's Address

Name of Witness

Name of Surety

Address of Witness

Signature and Title of Person Executing for Surety

Surety's Address

PLEASE NOTE: A power of attorney document for the surety's representative must accompany this rider.