

## **Bond Adequacy Review Process Description Summary**

### **A. Process scope and record keeping.**

Bond adequacy reviews must be performed, and documented in writing in the lease file, when any of the events listed below occur on active Federal oil and gas leases.

1. Record title is assigned.
2. Operating rights are transferred.
3. A change of operator occurred.
4. The bondholder requests that a bond be released or decreased.
5. Any periodic review of lease operations.
6. When a surety seeks to terminate the period of liability of a bond.

In addition, the bond review must be documented in the following screens using the Bureau of Land Management (BLM) Automated Fluid Minerals Support System (AFMSS). This documentation will facilitate nationwide rollup reporting to ensure that bond reviews are routinely occurring.

1. From the AFMSS Main Menu, select “Adjudication,” and then “Bonds.”
2. On the “Bond Status and Information (GLB.67)” screen, query for the bond to be reviewed.
3. Highlight the bond to be reviewed and click on “Edit Bond.”
4. While in the “Maintain BLM Bonds (GLB.68B)” screen, click on “Review Bonds.”
5. This will launch the “BLM Bond Review History (GLB.109B)” screen. On this screen, record the **Bond Adequacy Review Date, Acceptable (Yes or No = Y or N)**, and enter the first and last name of the person who is reviewing the bond in the field **Bond Reviewed By**.
6. If a change to the bond amount is going to be recommended, enter the new amount in the **Recommended New Bond Amount** field. (Enter only numbers such as 25000 and press the TAB key. The correct format of \$25,000 will be entered.)
7. Select the **Reason for the Bond Increase** from the drop down menu.
8. Finally, enter the **Date Recommended**. Save the record and exit.

AFMSS tracks the recommended bond amount. The actual bond amount is maintained in the BLM’s Bond and Surety system. Entering the recommended bond amount in AFMSS will not change the amount in Bond and Surety.

### **B. The Authorized Officer (AO) determines the amount of well plugging and surface reclamation liability using current cost indices.**

If an increase in bonding is determined in accordance 43 CFR 3104.5 and policy, the following actions will be performed:

1. Determine the well plugging and abandonment liability cost.

2. Determine the surface reclamation costs including pit closures, removal of equipment, road reclamation, etc.

**C. The AO determines an adequate level of bond coverage and notifies the State Office (SO).**

1. The bond amounts as stated in 43 CFR 3104 are the minimum acceptable bond amounts.
2. The bond amount cannot exceed the total cost of:
  - a. Estimated well plugging and surface reclamation,
  - b. Uncollected royalties, and
  - c. Monies owed for previous violations that remain payable.
3. The bond amount may be to any level specified and justified by the AO (but note C. 2).
4. Existing bond amounts may be maintained in cases where a written agreement is signed with the operator to reduce well plugging and surface reclamation liabilities. The agreement must specify a plan of action to be performed in a timeframe acceptable to the AO. The agreement must be monitored to ensure compliance with the established timeframe.
5. If the bond amount is considered adequate, no action is required to increase the bond, but the bond evaluation must be documented in the lease file.

**D. The SO's role in increasing a bond amount.**

1. If the AO determines that the existing bond amount is inadequate, the bondholder is issued a decision by the SO, to raise the current outstanding bond to a specified amount.
2. The bondholder may appeal the SO decision to increase the bond amount.
3. Monitor the bondholder's compliance for the bond increase.