

## **Bond Adequacy Review Instructions**

Every bond must be reviewed at least once during a 5-year cycle. However, an appropriate time to review the adequacy of any bond would include:

1. When a change of operator is proposed in writing.
2. Prior to approval of a successor unit operator or successor communization operator.
3. Prior to approval of a record title assignment or a transfer of operating rights if the property contains any wells that have been idle for 7 years or longer.
4. Whenever the operator submits an Application for Permit to Drill (APD) and the Bureau of Land Management (BLM) has not reviewed the bond adequacy within the last 5 years.
5. Whenever the operator(s) fails to timely plug and abandon a well or adequately reclaim the land.
6. If the authorized officer (AO) deems a bond review is necessary following repeated Incidents of Noncompliance (INC) by an operator.
7. If the Forest Service requests the BLM to increase the bond amount, the BLM will review and let the bond guidance determine whether an increase is warranted. However, to be consistent with the BLM Bond Adequacy Review policy as established in this IM, the AO will ensure that the bond amount meets the amount set by the prescribed point system as outlined in below.
8. Prior to approval of an APD, the BLM will require a bond in an amount equal to the actual costs to plug and abandon the subject well and adequately reclaim the lands if the same operator has caused the BLM to make a demand for payment under a bond within the 5-year period prior to submission of the APD.

**The three criteria areas for scoring BLM potential liability, well status, compliance history, and reclamation stewardship are:**

### **Status of each well covered by a specific bond**

1. For each well that has been idle for at least 7 years, but less than 20 years. 10 points
2. For each well that has been idle for 20 years or more. 25 points
3. For each well over 10,000 feet in Measured Depth (MD). 5 points
4. If the average oil production per oil well, per day, over the past 12 months is less than 5 barrels per day. 50 points
5. If the average gas production per gas well, per day, over the past 12 months is less than 30 thousand cubic feet (MCF) per day. 50 points

## Operator-specific compliance history

1. For each major INC within the last 3 years. 10 points
2. For each separate incident of drilling without approval (DWOA, in addition to number 1 directly above). 100 points
3. For each major undesirable event, as defined in NTL-3A, during the last 3 years. 10 points
4. For each minor INC within the last 3 years. 5 points
5. Number of Incidents of drill without approval 25 points
  
6. For each bond default in the last 3 years, if an operator submits an APD and the BLM had to previously attach the operator's bond during the last 5 years, then raise the bond to the full amount to plug the APD well and reclaim the land. 100 points
7. For each shut-in/shut-down of operations in the last 3 years. 50 points
8. For each civil penalty issued for failure to comply with a written order or INC in the last 3 years. 25 points
9. If any production accountability inspection has resulted in a recovery (under reported volume on the Oil and Gas Operations Report (OGOR)) of more than 500 barrels of oil or 50,000 MCF of gas in the last 3 years. 50 points

## Reclamation stewardship

Onshore Order Number 1 requires the operator to submit a plan for surface reclamation or stabilization of all disturbed areas. This plan must address interim (during production) reclamation as well as final abandonment of all disturbed areas and should be accomplished as soon as practicable. If the operator does not timely comply with this portion of their approved surface use plan of operations in their APD, use the following point system below:

1. **Less than 50 percent** of the well locations do not meet interim reclamation standards. 5 points
2. **Less than 75 percent** of the well locations do not meet interim reclamation standards. 10 points
3. **75 percent or more** of the well locations do not meet interim reclamation standards. 15 points
4. **Less than 50 percent** of the well locations do not meet final reclamation standards. 5 points
5. **Less than 75 percent** of the well locations do not meet final reclamation standards. 10 points
6. **75 percent or more** of the well locations do not meet final reclamation standards. 15 points

### **Rules to Follow**

- **There will be no bond increase for less than 100 points;** it is acceptable to maintain the current bond amount, commensurate with a modest perceived risk exposure by the BLM.
- The increased bond amount cannot exceed the Full Liability Bond total.
  - This amount must not exceed the total of the estimated costs to plug and reclaim, amount of uncollected royalties due to the Office of Natural Resources Revenue (ONRR), and amount of monies owed to the BLM due to previous violations that remain outstanding.

**NOTE:** The BLM does not have the authority to increase or decrease bond amounts on Indian properties. However, during review of Indian Bonds, the BLM will use the risk factors and corresponding bond conversion table listed above and send the results of a bond review on Indian properties to the respective Bureau of Indian Affairs office with a statement summarizing the review.