

**Bureau of Land Management, Interior**

**§ 3214.18**

**§ 3214.12 What activities must my bond cover?**

Your bond must cover:

- (a) Any activities related to exploration, drilling, utilization or associated operations on a Federal lease;
- (b) Reclamation of the surface and other resources;
- (c) Royalty payments; and,
- (d) Compliance with the requirements of 43 CFR 3200.4.

**§ 3214.13 What is the minimum dollar amount required for a bond?**

The minimum bond amount differs depending on the type of activity you are proposing and whether your bond will cover individual, statewide or nationwide activities. The minimum dollar amounts and bonding options for each type of activity are found in the following regulations:

- (a) Exploration operations—see 43 CFR 3251.15;
- (b) Drilling operations—see 43 CFR 3261.18; and,
- (c) Utilization operations—see 43 CFR 3271.12 and 43 CFR 3273.19.

**§ 3214.14 May BLM increase the bond amount above the minimum?**

(a) We may increase the bond amount beyond the minimums referenced in 43 CFR 3214.13 when:

- (1) We determine the operator has a history of noncompliance;
- (2) We previously had to make a claim against a surety because any one person who is covered by the new bond failed to timely plug and abandon a well and reclaim the surface;
- (3) MMS has notified BLM that a person covered by the bond owes uncollected royalties; or
- (4) Our inspection of the property determines that the bond amount is too low to cover the estimated reclamation cost.

(b) We may increase bond amounts to any level, but we will not set that amount higher than the total estimated costs of plugging wells, removing structures, and reclaiming the surface, plus any uncollected royalties due MMS or monies owed to BLM due to previous violations.

**§ 3214.15 What kind of financial guarantee will BLM accept to back my bond?**

We will not accept cash to back a bond. We will only accept:

- (a) Corporate surety bonds, provided that the surety company is approved by the Department of Treasury (see Department of the Treasury Circular No. 570 which is published in the FEDERAL REGISTER every year on or about July 1); and
- (b) Personal bonds, which are secured by a cashier's check, certified check, certificate of deposit, negotiable securities such as Treasury notes, or an irrevocable letter of credit (see 43 CFR 3214.21 and 3214.22).

**§ 3214.16 Is there a special bond form I must use?**

Use a BLM-approved bond form (Form 3000-4, or Form 3000-4a, June 1988 or later editions) for either a corporate surety bond or a personal bond.

**§ 3214.17 Where must I submit my bond?**

File personal or corporate surety bonds and statewide bonds in the BLM State Office which oversees your lease or operations. You may file nationwide bonds in any BLM State Office. File bond riders in the BLM State Office where your underlying bond is located. For personal or corporate surety bonds, file one originally signed copy of the bond.

**§ 3214.18 Who will BLM hold liable under the bond and what are they liable for?**

We will hold all interest owners in a lease jointly and severally liable for compliance with the requirements of 43 CFR 3200.4 for obligations that accrue while they hold their interest. Among other things, all interest owners are jointly and severally liable for:

- (a) Plugging and abandoning wells;
- (b) Reclaiming the surface;
- (c) Paying compensatory royalties assessed for drainage; and
- (d) Paying rent.

## § 3214.19

### § 3214.19 What are my bonding requirements when a lease interest is transferred to me?

(a) Except as otherwise provided in this section, if the lands transferred to you contain a well or any other surface disturbance which the original lessee did not reclaim, you must post a bond under this subpart.

(b) If the original lessee does not transfer all interest in the lease to you, you may become a co-principal on the original bond, rather than posting a new bond.

(c) You do not need to post an additional bond if:

(1) You previously furnished a state-wide or nationwide bond; or

(2) The operator provided the original bond, and the operator does not change.

### § 3214.20 How do I modify or extend the terms and conditions of my bond?

You may modify your bond by submitting a rider to the BLM State Office where your bond is held. There is no special form required.

### § 3214.21 What must I do if I want to use a certificate of deposit to back my bond?

Your certificate of deposit must:

(a) Be issued by a Federally-insured financial institution authorized to do business in the United States;

(b) Include on its face the statement, “[t]he Secretary of the Interior or his delegatee must approve redemption of this certificate by any party;” and

(c) Be payable to the Department of the Interior, Bureau of Land Management.

### § 3214.22 What must I do if I want to use a letter of credit to back my bond?

Your letter of credit must:

(a) Be issued by a Federally-insured financial institution authorized to do business in the United States;

(b) Be payable to the Department of the Interior, Bureau of Land Management;

(c) Be irrevocable during its term and have an initial expiration date of no sooner than one year after the date we receive it;

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(d) Be automatically renewable for a period of at least one year, unless the issuing financial institution gives us written notice, at least 90 days before the letter of credit expires, that it will no longer renew the letter of credit; and

(e) Include a clause that authorizes the Secretary of the Interior to demand immediate payment, in part or in full, if you do not meet your obligations under the requirements of 43 CFR 3200.4 or provide substitute security for a letter of credit which the issuer has stated it will not renew before the letter of credit expires.

## Subpart 3215—Bond Collection After Default

### § 3215.10 When may BLM collect against my bond?

Unless you comply with the requirements listed at 43 CFR 3200.4, we may collect money from the bond to correct your noncompliance. This amount can be as large as the face amount of the bond. Some examples of when we will collect against your bond are when you do not:

- (a) Properly plug and abandon a well;
- (b) Reclaim the lease area;
- (c) Pay outstanding royalties; or
- (d) Pay assessed royalties to compensate for drainage.

### § 3215.11 Must I replace my bond after BLM collects against it?

Yes. If we collect against your bond, before you conduct any further operations you must either:

- (a) Post a new bond equal to the value of the original bond; or
- (b) Restore your existing bond to the original amount.

### § 3215.12 What will BLM do if I do not restore the face amount or file a new bond?

If we collect against your bond and you do not restore it to the original amount, we may shut-in any well(s) or utilization facilities and begin canceling all of your leases covered by that bond.