



# Lesson 1: Receive & Adjudicate a Bond

## Presenter:

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Branch Chief

Branch of Mineral Resources, Solids

Nevada State Office

Bureau of Land Management

# Lesson Objectives

By the end of this Lesson you should be able to:

- Given a bond form, and serial register page, create bond abstract in LR2000 in accordance with the LR2000 Bond Surety TP Guide.
- Given a bond form, serial register page (if available), circular 570 (if applicable), and financial instrument (if applicable), adjudicate the bond form to determine if it is acceptable or not in accordance with the bond processing handbook (program area specific).

# Route

- Topic 1: General Bond Information
- Topic 2: Adjudicate a Surety Bond
- Topic 3: Adjudicate a Personal Bond

# Topic 1: General Bond Information

- Who
- What
- When
- Where
- Why

# General Bond Information

- What is the purpose of a bond?
- Why is a bond important?
- Who furnishes the bond?
- When is a bond required?
- Where is a bond kept?

# General Bond Information

- What are the responsibilities for a bond adjudicator in adjudicating a bond?
- What regulatory laws, manuals, and policies exist for each program area (lands, fluids, mining)?
- What are the different types of bond coverage (individual, statewide, nationwide)?
- What are the different types of bonds (personal, surety)?
- What is the difference between a personal and a surety bond?

# General Bond Information

- What is the purpose of a bond?
  - A written contract secured by monetary pledge or a surety company's promise to guarantee performance of a specified obligation or duty and collected if a principal fails to perform. In other words, it is a financial assurance provided by or on behalf of an operator to guarantee that the lands disturbed under approved operations are reclaimed in the event the operator cannot or will not perform the required reclamation.

# General Bond Information

- Why is a bond important?
  - Bonds protect the government, and taxpayers, against financial damages or loss arising from defaulted or terminated contracts, leases, permits, special-use authorizations, and licenses.



# General Bond Information

- Who furnishes the bond?
  - This varies in each program. Ultimately, the bond needs to cover all operations conducted by the operator.

# General Bond Information

- How is a bond received?
  - Only original approved bond forms may be submitted to the BLM. Therefore, a hard copy of the bond form must be delivered to the office of jurisdiction.

# General Bond Information

- When are bonds required?
  - Prior to initiating disturbance.
  - Must cover the estimated cost as if BLM were to contract with a third party to reclaim operations according to the reclamation plan.
  - Bond coverage must be continued in full force and effect until all the terms and conditions of the operations have been met.

# General Bond Information

## Where is a bond filed? Where are bond files kept?

Resources	CFR Citation	Location of Case Files	Location of Bond File
Lands (R&PP, ROW)	43 CFR 2800	Field Office	Field Office
Oil & Gas	43 CFR 3100	State Office	State Office
Geothermal	43 CFR 3809	State Office	State Office
Coal	43 CFR 3400	State Office	State Office
Solid Leasables	43 CFR 3500	State Office	State Office
Mineral Materials	43 CFR 3600	Field Office	Field Office
Mining Claims	43 CFR 3833	State Office	No Bond Required
Mining Law Minerals	43 CFR 3803.3809	Field Office	State Office
Grazing	43 CFR 4100	Field Office	No Bond Required
Cultural Resources	43 CFR 8100	State Office	State Office

# General Bond Information

- What are the responsibilities of a bond adjudicator?
  - Receive and date stamp bond;
  - Create a bond abstract;
  - Adjudicate the bond form;
  - Write a Decision;
  - Update BASS (Bond and Surety System);
  - Establish a case file;
  - Decision making regarding the maintenance and termination of bonds;
  - Ensure a bond can be collected if the required duty is not performed.

# General Bond Information

- What regulatory laws, manuals and policies exist for each program area?
  - BLM has to have authority and authorization to require a bond
    - LAW provides authority to require a bond
    - Written direction, usually REGULATIONS, provide authorization as how to bond:
      - Lands: 43 CFR 2800
      - Oil and Gas: 43 CFR 3100
      - Mineral Materials: 43 CFR 3600
      - Mining Disturbance: 43 CFR 3809



# General Bond Information

- Types of Bond Coverage
  - Individual – Provides coverage for one operation.
  - Statewide – Provides coverage for all operations in one state.
  - Nationwide – Provides coverage for all operations nationwide.

# General Bond Information

- Two Types of BLM Bonds
  - Personal Bonds
  - Surety Bonds



# General Bond Information

Difference between a personal and surety bond:

## → Personal Bonds

- Two party contract between the obligor (operator) and the BLM.
- Recognizes an obligation to pay money or perform a specific act.
- A personal bond must be accompanied by a financial instrument pledged to BLM.

## → Surety Bonds

- Three party contract between principal, BLM and the surety
- Promise made by the principal and surety to the BLM that the surety will correct any default should the principal not do so.



# Topic 2: Adjudicate a Surety Bond

- What is a surety bond?
- What are the benefits to BLM?
- What forms are used (lands, fluids, minerals?)
- What is needed to adjudicate a surety bond and why?

# Adjudicate a Surety Bond

What is a surety bond?

- Three party contract between principal, BLM and the surety
- Promise made by the principal and surety to the BLM that the surety will correct any default should the principal not do so.

What are the benefits to BLM?

- The surety will correct any default should the principal not do so.
- The surety will complete the work or pay for the cost of reclamation up to the penal sum of the bond.



# Adjudicate a Surety Bond

What forms are used?

- Form 2800-16 Right of Way Surety Bond (Lands)
- Form 3000-4 Oil and Gas or Geothermal Lease Bond (Oil & Gas, Geothermal)
- Form 3504-3 Bond under Lease for Mining Deposits
- Bond Under Contract for Mineral Materials
- Form 3809-1 Surface Management Surety Bond (Hardrock Mining)

# Adjudicate a Surety Bond

What is needed to adjudicate a surety bond and why?

- Surety Bond Form
- Circular 570
- Surety Power of Attorney

# Adjudicate a Surety Bond

- Step One: Receive and date stamp bond.

Form 3809-1  
(January 2017)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**SURFACE MANAGEMENT SURETY BOND**  
*Act of May 10, 1872, as amended (30 U.S.C. 22-54)*  
*Act of December 29, 1916, as amended (39 Stat. 862)*  
*Act of October 21, 1976, as amended (43 U.S.C. 1732-35, 1782)*  
*Act of September, 13, 1982 (31 U.S.C. 9301 et seq.)*  
*Act of September 27, 1988 (102 Stat. 1776)*  
*Act of April 16, 1993 (43 U.S.C. 299)*

FORM APPROVED  
OMB NO. 1004-0194  
Expires: January 31, 2020

REC'D - BLM - NSO  
NOV 02 2018  
9:00 A.M.

Safety Bond Number  
SU53945

Individual NVN012345; or Statewide \_\_\_\_\_; or Nationwide \_\_\_\_\_  
(Enter BLM Serial No.) (Enter Name of State, if applicable) (Enter "Yes," if applicable)

KNOW ALL BY THESE PRESENTS, THAT: ABC Mining Company  
of 720 Court St, Elko, NV 89801  
(name) (address)

as principal; and Aspen American Insurance Company of 175 Capital Boulevard, Suite 300  
(name) (address)

Rocky Hill, CT 06067 as surety; are held firmly bound unto the United States of America in the  
sum of Four Million Two Hundred Twelve Thousand Five Hundred Eighty Nine Dollars and 00/100  
U.S. dollars (\$ 4,212,589.00).

lawful money of the United States, which may be increased or decreased by a rider hereto executed in the same manner as this bond, for the payment of  
which sum the principal and surety bind themselves successors, and assigns, jointly and severally, by these presents.

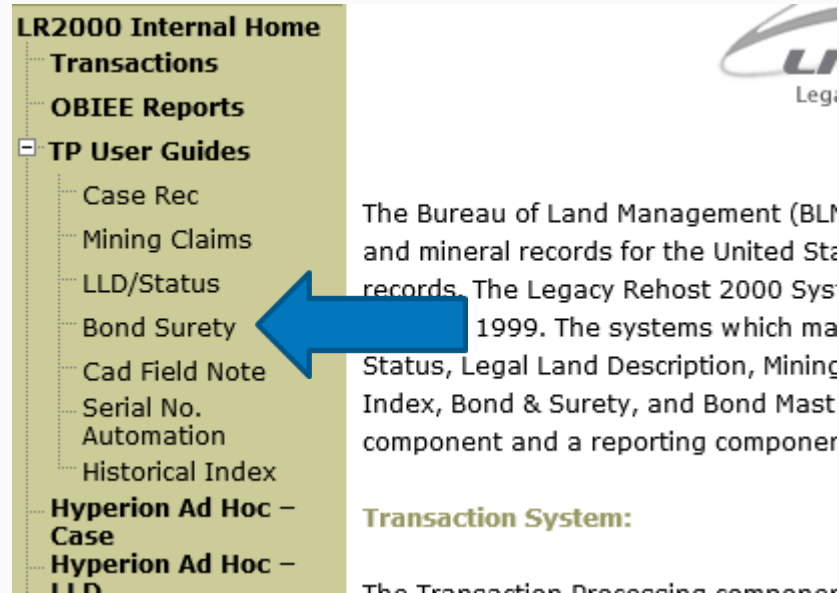
# LR2000 BASS DEMONSTRATION

→ **DEMONSTRATION**

Where to find the guides, how to enter a bond.

# Adjudicate a Surety Bond

Where to find the Transaction Processing (TP) User Guide



The screenshot shows the LR2000 Internal Home page. On the left is a navigation menu with the following items: Transactions, OBIEE Reports, TP User Guides (expanded), Case Rec, Mining Claims, LLD/Status, Bond Surety, Cad Field Note, Serial No. Automation, Historical Index, Hyperion Ad Hoc - Case, and Hyperion Ad Hoc - LLD. A blue arrow points from the 'Bond Surety' item in the menu to the right-hand content area. The right-hand content area features the Bureau of Land Management (BLM) logo and the text: 'The Bureau of Land Management (BLM) and mineral records for the United States records. The Legacy Rehost 2000 System 1999. The systems which maintain Status, Legal Land Description, Mining Index, Bond & Surety, and Bond Mast component and a reporting component'. Below this text is the heading 'Transaction System:' followed by the start of a sentence: 'The Transaction Processing component'.



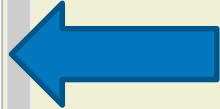
# Adjudicate a Surety Bond

## Where to find the Data Element Dictionary

Links	
LR2000 Reports	
Data Element Dictionary	
Lands Data Standards	
Minerals Data Standards	
LR2000 Sharepoint	
LR2000 User Support	
GLO Records	
NTC Knowlge Rsrce Ctr	

Switch Screen


Function Keys	
Alt <-	Back
Alt ->	Forward
Alt-F2	Switch



\* System Name

- Bond and Surety System
- Cadastral Field Note Indexing System
- Case Recordation
- Historical Index
- LR2000 Reporting Database
- LR2000 Transaction Database
- Legal Land Description
- Mining Claims
- Serial Number Automation Module
- Status

OK Reset





# Exercise #1: Create a bond abstract

# Adjudicate a Surety Bond

- Step Three: Adjudicate the Bond Form
  - Is it on a correct form?
  - Is it properly executed?
  - Does it have original signatures?
  - Is the bond principal the operator?


# Adjudicate a Surety Bond

- How do you know if surety is certified to underwrite a bond?
- Is the state in which bond is executed on the website?
- Does the bond amount exceed surety's underwriting limitation?
- Is the bond executed by the surety?

# Adjudicate a Surety Bond


Official website of the United States Government

U.S. DEPARTMENT OF THE TREASURY

 BUREAU OF THE Fiscal Service

Surety Bonds

Menu A-Z Search



[Bureau of the Fiscal Service](#) > [Surety Bonds](#) > Circular 570

## Department Circular 570

4810-35

Department of the Treasury

Fiscal Service  
(Dept. Circular 570; 2018 Revision)

### Companies Holding Certificates of Authority as Acceptable Sureties on Federal Bonds and as Acceptable Reinsuring Companies

Effective July 1, 2018

This Circular is published annually for the information of Federal bond-approving officers and persons required to give bonds to the United States consistent with 31 CFR 223.16. (Interim changes are published in the FEDERAL REGISTER and on the internet as they occur). Other information pertinent to Federal sureties may be obtained from:

U.S. Department of the Treasury



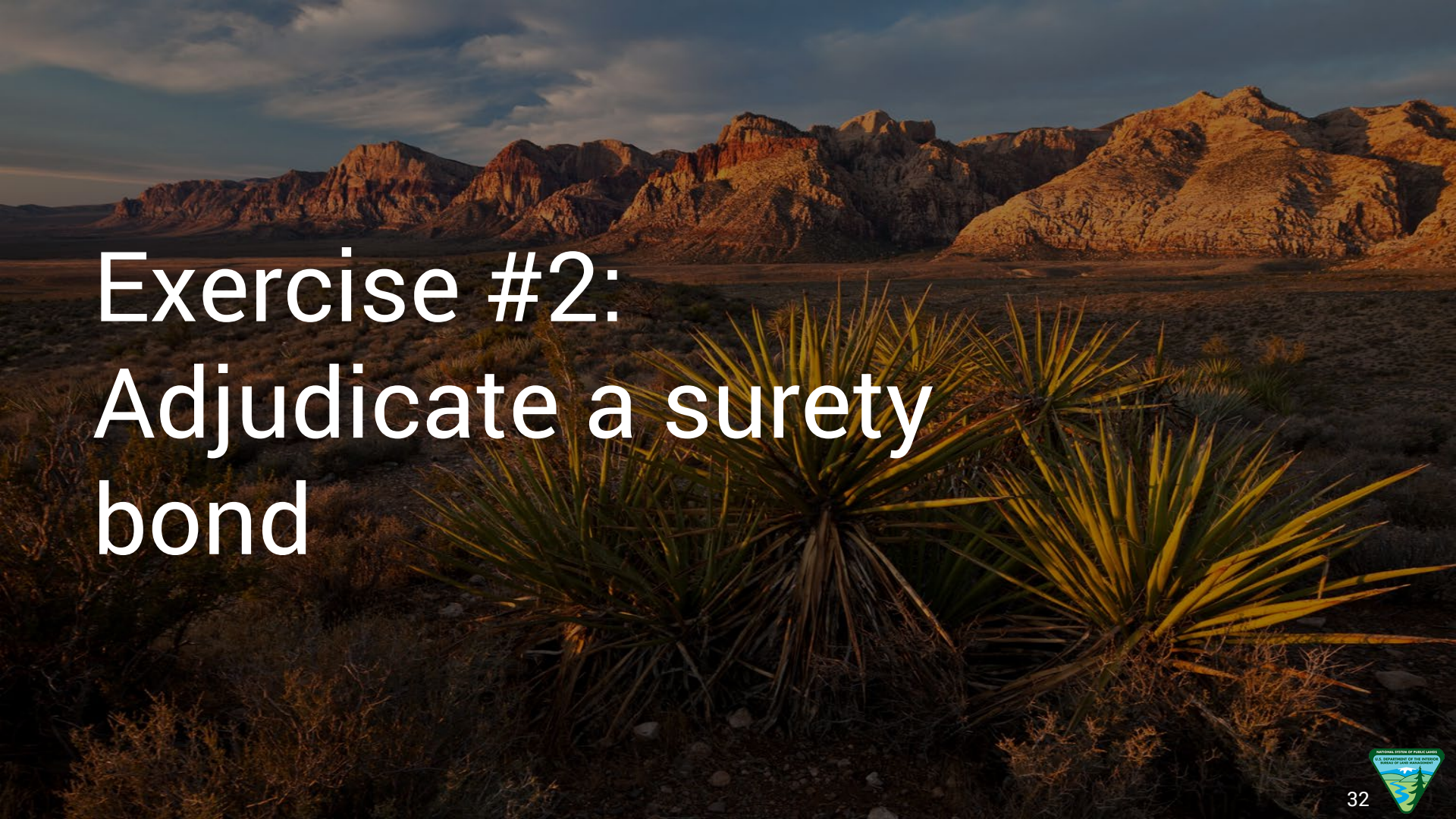
# Adjudicate a Surety Bond

- Is the bond for at least the amount required?
- Is the bond coverage indicated?
- Is the power of attorney (POA) attached?
- What is the effective date of the bond?

# CIRCULAR 570 DEMONSTRATION

→ **DEMONSTRATION**

Adjudicate a surety bond



# Exercise #2: Adjudicate a surety bond



# Topic 3: Adjudicate a Personal Bond

- What is a personal bond?
- What is it used for?
- What forms are used (lands, fluids, minerals?)
- What is needed to adjudicate a personal bond and why?

# Adjudicate a Personal Bond

What is a personal bond?

- Two party contract between the obligor (operator) and the BLM.
- A personal bond must be accompanied by a financial instrument pledged to BLM.

What is it used for?

- The principal agrees that in the event of any default under the plan of operation/notice and/or reclamation plan the bond may be forfeited.

# Adjudicate a Personal Bond

What forms are used?

- Form 2800-17 Right of Way Personal Bond (Lands)
- Form 3000-4 Oil and Gas or Geothermal Lease Bond (Oil & Gas, Geothermal)
- Form 3504-1
- Personal Bond & Power of Atty under Contract for Mineral Materials
- Form 3809-2 Surface Management Personal Bond (Surface Management)

# Adjudicate a Personal Bond

- Step One: Receive and Date Stamp
- Step Two: Create a Bond Abstract in BASS within LR2000



# Exercise #3: Create a Bond Abstract

# Adjudicate a Personal Bond

- Step Three: Adjudicate the Bond Form
  - Is it on a correct form?
  - Is it properly executed?
  - Does it have original signatures?
  - Is the bond principal the operator?
  - Is the bond for at least the amount required?
  - Is the bond coverage indicated?
  - Is there a financial guarantee?



# Adjudicate a Personal Bond

- What type of financial instrument was included?
  - Cash
  - Letter of Credit (LC)
  - Time Deposit
  - Negotiable US Treasury Securities

# Adjudicate a Personal Bond

## CASH

- What are the guaranteed/acceptable forms of remittance?
- Why doesn't BLM accept certain forms of payment?



# Adjudicate a Personal Bond

## Letter of Credit

- What is done with the original?
- What is required to be in a Letter of Credit (LC)?
  - Original
  - Payable to BLM
  - Original expiration not less than 1 year
  - Must contain automatic renewal provisions
  - Must NOT contain a drop dead clause
  - Must contain a 90 day notice of non-renewal
  - Must be issued from a financial institution authorized to do business in the U.S.

# LETTER OF CREDIT DEMONSTRATION

→ **DEMONSTRATION**

Sample Letter of Credit

# Adjudicate a Personal Bond

## Time Deposit

- What is it?
- What is done with the original?
- What form does it come in?

# Adjudicate a Personal Bond

- What is required to be in a time deposit?
  - Issued from FDIC bank
  - Provide redemption restrictions
  - A proof of pledge
  - Agreement not to off-set
  - Must contain early redemption provisions
  - Must have automatic renewal provisions
  - Cannot exceed \$250K

# Adjudicate a Personal Bond

## Negotiable US Treasury Securities

- What are they?
- How are they obtained?
- What are the bond adjudicator's responsibilities?
- What are the NOC's responsibilities?

# Exercise #4: Adjudicate a Personal Bond



# Lesson 1: Receive & Adjudicate a Bond Conclusion



## Presenter:

Lacy Trapp

Branch Chief

Branch of Mineral Resources, Solids

Nevada State Office

Bureau of Land Management

# Lesson Objectives

You should now be able to:

- Given a bond form, create bond abstract in LR2000 in accordance with the LR2000 Bond Surety TP Guide.
- Given a bond form, circular 570 (if applicable), and financial instrument (if applicable), adjudicate the bond form to determine if it is acceptable or not in accordance with the bond processing handbook (program area specific).



# Summary

- Topic 1: General Bond Information
- Topic 2: Adjudicate a Surety Bond
- Topic 3: Adjudicate a Personal Bond