§ 250.159 General requirements for a pipeline right-of-way grant.

- (b) (1) When applying for a right-ofway grant, the applicant or the right-ofway holder shall provide the surety bonds described in this section in addition to the bonds required of a lessee in 30 CFR part 256.
- (i) Each applicant or holder of a rightof-way shall furnish the Regional Supervisor a \$300,000 corporate surety bond conditioned on compliance with the terms of all right-of-way grants held by the applicant in the Outer Continental Shelf (OCS) area in which the right-of-way is located.
- (ii) If the Regional Director determines that a surety bond in excess of \$300,000 is necessary to cover the costs and liabilities of compliance with the terms of the right-of-way, he/she may require the applicant or the holder of the rightof-way to submit additional security in the form of a supplemental bond or an increase in the amount of the existing surety bond.

PART 251—GEOLOGICAL AND **GEOPHYSICAL (G&G) EXPLORATIONS** OF THE OUTER CONTINENTAL SHELF

4. The authority citation for part 251 is revised to read as follows:

Authority: 43 U.S.C. 1331 et seq.

5. Section 251.6-4 is revised to read as follows:

§ 251.6-4 Bonds.

- (a) Before the Minerals Management Service (MMS) will issue a permit authorizing the drilling of a deep stratigraphic test well, the applicant must either:
- (1) Furnish MMS a bond of not less than \$200,000 conditioned on compliance with the terms of the permit; or
- (2) Maintain with or furnish to MMS a \$1 million bond conditioned on compliance with the terms of the permit issued to him/her for the area of the OCS where the applicant proposes to drill a deep stratigraphic test.
- (b) If the Regional Director determines that security in excess of \$1 million is needed, he/she may require the permittee to provide additional security in the form of a supplemental bond or bonds or an increase in the amount of the existing surety bond.
- (c) The Director of MMS may require the submission of a bond before authorizing shallow test drilling.
- (d) Any bond furnished shall be on a form approved or prescribed by the Director, MMS.

PART 256—LEASING OF SULPHUR OR OIL AND GAS IN THE OUTER **CONTINENTAL SHELF**

6. The authority citation for part 256 is revised to read as follows:

Authority: 43 U.S.C. 1331 et seq.

- 7. Section 256.58 is redesignated as § 256.52.
- 8. Newly designated § 256.52 is amended by revising the heading and paragraphs (a), (c), (d), (f), and (g); and by adding a new paragraph (i) to read as follows:

§ 256.52 Requirement to file a bond.

- (a) Before an oil and gas or sulphur lease will be issued the successful bidder must:
- (1) Furnish the Regional Director a \$50,000 lease surety bond, conditioned on compliance with all the terms and conditions of the lease;
- (2) Maintain or furnish a \$300,000 areawide bond, issued by a qualified surety and conditioned on compliance with all the terms and conditions of oil and gas and sulphur leases held by the bidder in the OCS for the area in which the lease to be issued is situated:
- (3) Maintain or furnish an areawide bond under § 256.53 (a)(2) or (b)(2) of this part; or
- (4) Furnish a substitute security instrument in accordance with paragraphs (f) and (g) of this section.
- (c) The lessee shall maintain a separate areawide surety bond as required by paragraph (a) of this section for each of the areas identified in paragraph (b) of this section.
- (1) If the Regional Director approves, the lessee may substitute for its bond either:
- (i) An operator's bond in the same amount as the lease bond required under paragraph (a); or
- (ii) Alternate security instruments as provided in paragraphs (f) and (g) of this
- (2) The lessee(s)' substitution of an operator's bond or an alternate form of security for its bond does not relieve the lessee(s) of its (their) obligation to comply with all the terms and conditions of the lease.
- (d) If a default causes the surety or other guarantor to pay the United States any indebtedness under a lease secured by a bond or alternate form of security, the face amount of the bond or alternate form of security and the surety's liability will be reduced by the amount of the payment.

(f) U.S. Department of the Treasury (Treasury) securities (U.S. Bonds or

- Notes) may be submitted in lieu of a bond, provided the Treasury instrument or legal tender submitted is negotiable at the time of submission for an amount of cash equal to the value of the required bond. The entity submitting Treasury instruments under this paragraph is responsible for monitoring the value of those instruments. If the value of those instruments falls below the level of bond required, the entity must submit additional Treasury instruments or legal tender to raise the value of the securities held by MMS to the value of the required bond.
- (g) As provided in § 256.54, the Regional Director may accept alternate types of security instruments in lieu of the surety bonds required by this section if he/she determines that the interests of the Government are protected to the same extent that these interests would be protected by the required surety bond.
- (i) Any time that a lease is not in compliance with bonding requirements of this subpart, the Regional Director will notify the lessee in writing and specify a reasonable period, not to exceed 90 days, to post an adequate bond.
- (1) If an adequate bond or other guarantee is not provided by the end of the period allowed, the lessee shall cease mineral production, unless the Regional Director authorizes continued production from the lease to avoid premature lease abandonment or damage to the environment or to the producing reservoir(s).
- (2) The lessee shall immediately begin preparation for lease abandonment and clearance and shall submit to the Regional Director its plans for paying outstanding royalty underpayments and for meeting all regulatory and lease requirements.
- (3) Mineral production shall not resume until the Regional Director determines that an adequate bond has been posted or other guarantee provided.
- (4) When the Regional Director authorizes continued production under this section, the net proceeds from that production, less the royalties paid to the United States, shall be paid into one or more lease-specific abandonment accounts approved by the Regional Director.
- 9. Section 256.61 is redesignated as § 256.53; paragraphs (a)(1), (b)(1), and (d) are revised; and paragraphs (a) introductory text, (b) introductory text, (e), (f), and (g) are added to read as follows: