



# United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
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IN REPLY TO:

3160  
(922.S)

March 26, 1990

Instruction Memorandum No. MT-90-197  
Expires: 9/30/91

To: State Management Team

From: State Director

Subject: Guidance on Preparation of First/Last Production Memoranda

There have been many questions from the field requesting guidance on preparation of First Production Memoranda (FPM) and Last Production Memoranda (LPM). This IM will attempt to clarify procedures. It supersedes the last complete guidance provided on this subject, IM-MT-86-66, dated December 6, 1985.

An FPM is a critical document, being used to inform the MSO-922 when a lease enters producing status. It prompts the MSO to notify the Minerals Management Service (MMS) to transfer the lease account from BRASS (rental status) to AFS (royalty status).

The MSO uses the LPM to identify that production is no longer occurring (1) on a leasehold, or (2) in a participating area (PA)/communitization agreement (CA)/Secondary Unit, thereby determining whether a lease may be subject to termination if in its extended term, or eligible for extension in the event of termination of a PA/CA/Secondary Unit. The LPM is also used by the MSO to make a determination and advise the lessee and MMS the status of the lease account; i.e., whether or not it should revert to a rental status.

The basic guidance for preparation of FPM is provided in BLM Manual 3160-3. The procedures for three different situations of FPM are discussed below. The general timeframe for preparation and transmittal of these memoranda is 5 days from receipt of a completion report or within 5 days of receipt of a PA/CA/Secondary Unit approval letter.

In order to streamline the process, an FPM should be prepared in the office that handles well operations. The Great Falls Resource Area has been delegated authority to prepare FPM/LPM and should prepare FPM/LPM for CAs as well as leases.

Note that the procedures for Indian leases are identical with those for federal leases, with the exception that the FPM and LPM are sent to the Superintendent of the appropriate Bureau of Indian Affairs (BIA) Agency office, rather than MSO.

If the operator requests that the well information be kept confidential in accordance with 43 CFR 3162.8, you are not required to complete the following items on the FPM: total depth and surface elevation, producing formation and intervals, and initial daily production.

### 1. First Production Memorandum for a Lease

Upon receipt of a completion report (form 3160-4) for the first producing well on a lease, prepare an FPM and transmit to the MSO, even if that lease has already been reported as receiving allocated production (see Attachment 1).

If the bottom hole location differs from the surface hole location, provide the bottom hole location in the "location" portion of the FPM. The lease, of course, is the lease in which the well is completed.

### 2. First Production Memorandum for a Communitization Agreement

If a CA is approved prior to well completion, an FPM is not necessary until the well is completed for production. Prepare the FPM upon receipt of the completion report. The "date of completion" on the FPM should be the completion date of the well (see Attachments 2 and 3).

If the lease has been previously reported as productive, mention in the "remarks" section when this occurred; i.e., the date the FPM was prepared for that lease.

When unleased land becomes leased and committed to an existing CA, a new FPM should be prepared for that lease, to notify the MSO that the lease will receive allocated production.

### 3. First Production Memorandum for a Unit

Five separate situations may occur:

#### Completion of the first producing well in an Exploratory Unit

If the well is completed in a federal lease, prepare an FPM for the lease. If the well is on fee or state land, no FPM is necessary until a paying well determination is completed and a PA is established by the MSO. The MSO will be made aware of the completion of the initial well, or any subsequent wells drilled on fee or state land within an exploratory unit, by the monthly unit activity report.

#### Initial Participating Area

Upon receipt of a copy of the letter to the operator, approving a PA, prepare an FPM for that PA. In the "remarks" section, list the federal leases in the PA. If there are any leases that have not previously been reported as being productive, list them along with the unit in the "subject" portion of the memorandum (see Attachment 4).

### Revision of a PA

A new FPM is required for each PA revision. In the "remarks" section, list only the federal leases added to the revised PA (see Attachment 5). If there are any leases that have not previously been reported as being productive, list them along with the unit in the "subject" portion of the memorandum.

### Secondary Units

Upon receipt of a copy of the letter to the operator, approving a secondary unit, prepare an FPM. You do not have to list all of the wells. Note in the "remarks" section, all of the federal leases included in the unit. If there are any leases that have not previously been reported as being productive, list them along with the unit in the "subject" portion of the memorandum (see Attachment 6).

### Subsequent Joinder

Upon receipt of a copy of the letter to the operator, approving the subsequent joinder, committing a lease to a PA, prepare an FPM for the lease. Note in the "remarks" section the effective date of the joinder (generally the lease effective date). The memorandum can be written in paragraph format, similar to Attachment 6.

### 4. Last Production Memorandum

If the last well on a federal lease that is in its extended term ceases production, and the federal lease is determined by the AO not to be capable of production in paying quantities, a 60-day certified letter must be sent to the operator. This letter provides the operator 60 days from receipt to initiate reworking or other operations in an attempt to re-establish production, or the lease will be terminated. This requirement also applies to CAs and PAs.

Prepare the LPM when a final determination is made that the lease/CA/PA is no longer capable of production in paying quantities. The Reservoir Management and Operations Section of the MSO will terminate PAs or Secondary Units after receipt of your memoranda recommending PA/unit termination. The LPM must be prepared by following the attached example (see Attachments 7 and 8).

The effective date of the termination has been a subject of much confusion. Use the following guidelines when you establish the date of lease/CA/PA termination:

1. Operator does nothing upon receipt of the 60-day letter-lease/CA/PA terminates effective the date the 60-day letter is signed;
2. Operator responds, undertakes remedial action (i.e., workover):
  - (a) If workover is successful-no LPM need be written;
  - (b) If workover is unsuccessful-make termination effective with date of receipt of Notice of Intent to Abandon (NIA), or date workover attempt is abandoned, whichever is first:

3. Operator drills a new well:

- (a) Well is successful-no LPM need be written;
- (b) Well is dry hole-make termination effective with date of receipt of NIA, or date well is abandoned (whichever is first).

For leases in their primary term, a 60-day letter is not required, but an LPM is still written.

The 60-day letter requirements do not apply to Indian lands. For Indian leases, an LPM should be prepared when you recommend cancellation of the lease to the BIA, or when you inform the BIA that a lease in its primary term is no longer capable of production in paying quantities.

If you have any questions, please contact Jay Spielman, at 406-255-2859.

  
Janet Singer  
Acting

8 Attachments

- 1-Sample FPM for lease (1 p)
- 2-Sample FPM for CA, well w/in federal lease (1 p)
- 3-Sample FPM for CA well on patented lease(1 p)
- 4-Sample FPM for Initial PA (1 p)
- 5-Sample FPM for Revised PA (1 p)
- 6-Sample FPM for Secondary Unit (1 p)
- 7-Sample LPM for lease (1 p)
- 8-Sample LPM for CA (1 p)

Distribution: (w/o attms.)

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RAHs - 1

United States Department of the Interior

Bureau of Land Management

Dickinson District Office

Memorandum

State Director, Montana (922)

From: District Manager, Dickinson

Subject: First Production on lease M-00000

Date of Completion: August 1, 1988

Field: Wildcat

Operator/Well Name/Number: Oryx No. 7 FED

Location: SW~~NE~~ Sec. 13, T. 145 N., R. 104 W., Golden Valley County,  
North Dakota

Total Depth and Surface Elevation: 11,506', 2432' GL

Producing Formation and Intervals: Duperow 11,495' - 11,506'

Initial Daily Production: 112 BO, 213 MCF, 32 BWPD

Capable of Production in Paying Quantities? Yes

Current Status: POW

Remarks: Lease M-00000 was issued March 15, 1985, effective April 1, 1985, for a period of 10 years. Well No. 7 FED was drilled over the expiration date of the lease and the lease was granted a 2 year extension through May 1, 1997.

cc:  
MMS  
State Auditor

Attachment 1

United States Department of the Interior

Bureau of Land Management

Miles City District Office

3162.4

Memorandum

To: State Director, Montana (922)

From: District Manager, Miles City

Subject: First Production on Communitization Agreement MTM-75555

Date of Completion: March 1, 1985

Field: Cedar Creek

Operator/Well Name/Number: Cenergy No. 13-8 FED

Location: SW~~NE~~ Sec. 8, T. 14 N., R. 61 E., Fallon County  
Montana

Total Depth and Surface Elevation: 8,806', 2732' GL

Producing Formation and Intervals: Red River "B" zone 8,789'- 8,806'

Initial Daily Production: 11 BO, 13 MCF, 132 BWPD

Well Capable of Production in Paying Quantities? Yes

Current Status: POW

Remarks: MTM-75555 CA was approved and effective February 1, 1985, and includes 160 acres of land in federal leases M-01234 and M-67890. It communitizes all rights as to crude oil and associated natural gas producible from the Red River Formation underlying the NE~~X~~ section 8, T. 14 N., R. 61 E., Fallon County, Montana. Lease MTM 01234 was reported as receiving actual production by FPM dated March 7, 1985. Lease MTM 67890 was reported as receiving actual production by FPM dated June 30, 1983.

cc:  
MMS  
State Auditor

Attachment 2

United States Department of the Interior

Bureau of Land Management

Miles City District Office

3162.4

Memorandum

To: State Director, Montana (922)

From: District Manager, Miles City

Subject: First Production on Communitization Agreement MTM-82222CA and  
Lease MTM-48796

Date of Completion: September 22, 1987                      Field: Clear Creek

Operator/Well Name/Number: BWAB No. 23-18 Carlsson-Federal

Location: SW~~SE~~ Sec. 18, T. 33 N., R. 58 E., Sheridan County,  
Montana

Total Depth and Surface Elevation: 11,806', 2332' GL

Producing Formation and Intervals: Winnipegosis 11,667'-11,682'

Initial Daily Production: 311 BO, 713 MCF, 132 BWPD

Well Capable of Production in Paying Quantities? Yes

Current Status: POW

Remarks: MTM-82222 CA was approved June 15, 1987, and communitizes all rights as to crude oil and associated natural gas producible from the Winnipegosis Formation underlying the E~~W~~ sec. 18, T. 33 N., R. 58 E., Sheridan County, Montana. This agreement involves 160 acres of land in federal lease MTM-48796 and 160 acres of patented land in the Clear Creek field. This well is located on the patented lease. Federal lease MTM-48796 will receive allocated production.

cc:

MMS

State Auditor

Attachment 3

United States Department of the Interior

Bureau of Land Management

Great Falls Resource Area

3162.4

Memorandum

To: State Director, Montana (922)

From: Area Manager, Great Falls

Subject: First Production on Initial Madison Participating Area "A",  
Volcano Reef Unit (MTM 80011A) and lease MTM 45632

Date of Completion: March 01, 1989 Field: Wildcat

Operator/Well Name/Number: Berenergy No 13-8 VRU

Location SW~~NE~~, Sec. 8, T 26 N., R 8 W., Teton County,  
Montana

Total Depth and Surface Elevation: 8,806', 5532' GL

Producing Formation and Intervals: Madison 8,789'- 8,806'

Initial Daily Production: 118 BO, 2 BWPD

Well Capable of Production in Paying Quantities? Yes

Current Status: POW

Remarks: The Volcano Reef Unit Agreement, designated an exploratory unit, was approved November 12, 1988, effective December 1, 1988.

The subject well was drilled on federal lease MTM 45632. The Initial Madison Participating Area "A" was approved November 23, 1989, and effective March 1, 1989. Lease MTM-45632 will receive actual production from the well.

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MMS  
State Auditor

Attachment 4

United States Department of the Interior  
Bureau of Land Management  
Great Falls Resource Area

3162.4

Memorandum

To: State Director, Montana (922)  
From: Area Manager, Great Falls  
Subject: First Production on 1st Revision of Initial Madison  
Participating Area "A", Volcano Reef Unit (MTM80011A)

Date of Completion: August 1, 1989 Field: Heart Butte

Operator/Well Name/Number: Berenergy No. 23-9 VRU

Location: NE~~1~~/~~4~~ Sec. 9, T. 26 N., R. 8 W., Teton County,  
Montana

Total Depth and Surface Elevation: 8,789', 5687' GL

Producing Formation and Intervals: Madison 8,705'- 8,765'

Initial Daily Production: 245 BO, 112 BWPD

Well Capable of Production in Paying Quantities? Yes

Current Status: POW

Remarks: The Volcano Reef Unit Agreement, designated an exploratory unit, was approved November 12, 1988, effective December 1, 1988. The Initial Madison Participating Area "A" was approved, effective March 1 1989.

The subject well was drilled on a patented lease. The revised Participating Area was approved March 11, 1990, and effective August 1, 1989, and includes an additional 320 acres to the Initial PA "A". Lease MTM-45632 will receive allocated production from the well.

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MMS  
State Auditor

Attachment 5

United States Department of the Interior

Bureau of Land Management

Miles City District Office

3162.4

Memorandum

To: State Director, Montana (922)

From: District Manager, Miles City

Subject: First Production on Bear Butte Unit (SDM78148X)

The Bear Butte Unit Agreement, designated a secondary recovery unit, was approved November 24, 1989, effective December 1, 1989, unitizing all rights as to crude oil and associated natural gas producible from the Second Leo Sand Formation. The agreement embraces 360 acres of land in Federal lease SDM37244, 360 acres in lease SDM37245 and 240 acres of state land. Both leases receive actual production. A first production memorandum was written for lease SDM37244 on September 25, 1979, and for lease SDM37245 on April 4, 1980.

Beginning December 1, 1989, production from all wells located on the committed lands will be reported under the Bear Butte Unit, serialized SDM78148X.

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MMS  
State Auditor

Attachment 6

United States Department of the Interior

Bureau of Land Management

Miles City District Office

3162.4

Memorandum

To: State Director, Montana (922)

From: District Manager, Miles City

Subject: Abandonment of Last Producing Well on Lease MTM 34567

1. Well Designation: No 23-5 Federal
2. Location: NE~~%SW%~~ Sec. 5, T. 13 N., R. 56 E., Dawson County, Montana
3. Completion Date: February 2, 1980
4. Lease Term and Date: Issued May 1, 1976 for 5 years (HBP)
5. Lease Termination Date: November 16, 1988
6. Remarks: Subject well was plugged and abandoned on November 12, 1988. A certified 60-day notice was sent to the Operator, Shell Western E&P, on November 16, 1988. No remedial actions were undertaken.

cc:  
MMS  
State Auditor



Attachment 7

United States Department of the Interior

Bureau of Land Management

Dickinson District Office

3162.4

Memorandum

To: State Director, Montana (922)

From: District Manager, Dickinson

Subject: Abandonment of Last Producing Well on Communitization  
Agreement NDM 76210

- 1 Well Designation: No. 13-8 Federal
2. Location: NW $\frac{1}{4}$ SW $\frac{1}{4}$  Sec. 8, T. 149 N., R. 99 W., McKenzie County, North Dakota
3. Completion Date: July 20, 1975
4. Lease Term and Date: Issued December 1, 1972 for 10 years (HBP)
5. CA Termination Date: October 12, 1984
6. Remarks: Subject well was plugged and abandoned on October 1, 1984. A certified 60 day notice was sent to the operator, Chevron, Inc., on October 12, 1984. No remedial actions were undertaken.

cc:  
MMS  
State Auditor

Attachment 8