

GENERAL GUIDANCE  
FOR  
BUREAU OF LAND MANAGEMENT  
**Wyoming Field Offices**

(3/30/01)

COMBINING OF PRODUCTION (COMMINGLING)  
AND OFF-LEASE STORAGE AND MEASUREMENT

This general guidance is issued under 43 CFR 3164.2 to supplement the regulations and to clarify the general requirements of the BLM with respect to combining of production or to off-lease storage and/or measurement of oil and gas production from onshore Federal or Indian oil and gas leases, or fee and state oil and gas leases committed to federally supervised units or communitization agreements. This guidance applies to Federal and Indian trust lands within the area of jurisdiction of the Wyoming State Office. These are general guidelines for establishing minimum requirements for approval of the most common arrangements and do not address every possible situation.

I. GENERAL

The lease terms and regulations under 43 CFR 3162.7 require that hydrocarbon production from each Federal or Indian oil and gas leasehold be accurately measured for royalty purposes on the leasehold. However, the Authorized Officer may authorize the lessee to remove production from a leasehold to a central or off-lease point for purposes of treating, measuring, storing, or combinations thereof. When moving such production, the lessee may combine the production from various wells, leaseholds, pools, fields, and operations, if such "combining of production" is done in accordance with provisions contained in this guidance, and with the prior approval of the Authorized Officer.

The combining of production, or the off-lease measurement and/or storage of production, from Federal or Indian leaseholds with other Federal, Indian, or non-Federal leases may be authorized when it can be demonstrated by the lessee/operator that such action will be in the interest of conservation and will not result in reduced Federal or Indian royalty revenues or improper allocation of Federal or Indian production.

Combining of production from Indian tribal or allotted leases will not be considered, unless it is an economic necessity to continue production from the leaseholds.

Any off-lease storage and/or measurement or combining of production approved and in effect on the effective date of this NTL will not have to reapply for approval. Any wells or leases proposed to be added to an approved combining of production, or the off-lease measurement and/or storage of production, must be approved by the Authorized Officer prior to their commingling of production and/or inclusion in the facility.

## II. DEFINITIONS

**Combining of Production:** The phrase "Combining of production" as used in this guidance means any form of commingling or common storage whereby production from one source is combined with production from other sources prior to sale.

**Off-Lease Storage and/or Measurement:** The phrase "off-lease storage and/or measurement" as used in this guidance refers to the locating of a tank battery or measurement facility off the leasehold for valid economic, 43 CFR 3162.1(a), or topographic reasons, such as accessibility to all-weather roads, pipeline connections, and truck loading points. The term "measurement" refers to quantity and quality measurements of production.

**Leasehold:** The term "Leasehold" as used in this guidance refers to the area within one particular lease, communitized tract, unitized area, or participating area of a federally approved unit.

## III. OFF-LEASE STORAGE AND/OR MEASUREMENT

Off-lease storage and/or measurement of Federal or Indian production may be approved by the Authorized Officer when justified by the lessee and/or operator. Consolidated batteries or separate individual lease batteries located at a common site would fall in this category. When tank batteries are consolidated, the individual lease facilities must be kept completely separate prior to measurement. Provisions must also be included in these types of approvals requiring that royalty be paid on any hydrocarbon liquids that may be lost between the lease and the off-lease measurement and/or storage point. Application for approval of off-lease storage and/or measurement must include the following items:

- (1) A formal request for approval of off-lease storage and/or measurement with appropriate explanations and diagrams describing the proposed operation in detail and containing the reasons for the proposal. The request will be submitted on Sundry Notice Form (3160-5), on company letterhead, or in some instances by an approved Application for Permit to Drill. Applications are to include appropriate signatures for all lessee(s) and/or operators participating in the project. Off-lease activities may require additional right-of-way approvals.
- (2) A map showing the lease numbers and location of all leases and wells that will be connected to the proposed off-lease facility. All unitized or communitized areas, producing zones, or pools, etc. must be clearly illustrated or detailed by suitable means.

- (3) A site facility diagram which clearly locates and identifies all off-lease storage and/or measurement equipment and flowlines that will be utilized.
- (4) The estimated quantity and quality of production involved from each contributing source or well. This should include the composition of the production, API gravity, and/or BTU content of the oil and gas.
- (5) Details of the proposed method for allocating and measuring production for each lease and/or well involved. Include beneficial use@ volumes, both on and off-lease.
- (6) If allocation meters are to be used, the allocation meter facilities (for measuring and sampling oil before combining with other oil or storing off-lease) must include the following components:
  - 1) Meter - A positive displacement meter, positive volume meter, turbine meter, all with a non-resettable totalizer or other acceptable measurement device.
  - 2) Sampler - Equipment for continuous or periodic liquid sampling.
- (7) Off-lease measurement of gas must be measured by an orifice meter or other approved method.
- (1) When the application to combine production is based on economics, justification is required; i.e., approval will extend the economic life of the Federal and/or Indian lease(s) through added compression, reduction of meter servicing charges, reduction of back pressure, inability to obtain a delivery point at each well necessitating a central delivery point, or some other acceptable condition.

#### IV. COMBINING OF PRODUCTION

Combining of production at the surface or downhole from two or more zones or pools on a single Federal or Indian leasehold, and combining of production from one Federal or Indian leasehold with another Federal, Indian, or non-Federal leasehold requires the authorization of the Authorized Officer. A formal request for approval to combine production with appropriate explanations and diagrams describing the proposed operation in detail and containing the reasons for the proposal. The request shall be submitted on Sundry Notice Form (3160-5). Application for approval to

combine production (see 43 CFR 3162.3-2(a)) must include the following items:

A. Downhole

- (1) A wellbore schematic of the multiple completion.
- (2) Details of the proposed method for allocating production back to each production zone.
- (3) The estimated quantity and quality of production to be contributed by each production zone. This should include the composition of the production, API gravity, and/or BTU content of the oil and gas.
- (4) A statement that all interest owners have been notified of the proposal. Report any objections to the proposal.
- (5) Evidence or calculations that Federal or Indian royalties will not be reduced through approval of the application.

If liquid hydrocarbons of diversified gravities are to be mixed the applicant must provide data comparing gravity and prices received for the individual production to the price that would be received for the combined production.

- (6) A copy of any State Order in Wyoming (i.e. Wyoming Oil and Gas Conservation Commission) which has authorized the combining of production.

B. Surface

- (1) A map showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling or common storage facility. All unitized or communitized areas, producing zones, or pools, etc. must be clearly illustrated or detailed by suitable means.
- (2) A schematic diagram which clearly identifies all equipment and piping that will be utilized for surface commingling. (An updated site facility diagram will need to be submitted if surface commingling is approved).

- (3) The estimated quantity and quality of production to be contributed by the wells on each source. This should include the composition of the production, API gravity, and/or BTU content of the oil and gas.
- (4) Details of the proposed method for allocating production back to each contributing source.
- (5) A statement that all interest owners have been notified of the proposal. Report any objections to the proposal.
- (6) Evidence or calculations that Federal or Indian royalties will not be reduced through approval of the application.

If liquid hydrocarbons of diversified gravities are to be mixed the applicant must provide data comparing gravity and prices received for the individual production to the price that would be received for the combined production.

- (7) Detailed economic justification when the application to combine production is based upon economic necessity, i.e., when the applicant contends that such approval is necessary for the continued operation of the Federal or Indian lease(s) or if the application is predicated on the basis of avoiding the premature abandonment of all or a majority of the wells involved.
- (8) A copy of any State Order in Wyoming (i.e. Wyoming Oil and Gas Conservation Commission) which has authorized the combining of production.

#### V. EXTENT AND EFFECTIVE DATE OF APPROVALS

All approvals for combining of production and/or off-lease measurement and storage granted by the Authorized Officer simply provide that the method approved is a proper way to measure, store, and/or dispose of the Federal or Indian royalty portion of production. The applicant is advised that approval is a privilege granted to lessees for the purpose of aiding conservation, but it does not relieve the lessee/operator from any legal obligations he may have regarding consent from other interest holders or state regulatory agencies.

Upon receipt of an application to combine, store, or measure production off-lease, the Authorized Officer will take one of

the following actions in a timely manner: (1) approve the application as submitted or with appropriate modifications and stipulations; (2) return the application and advise the applicant of the reasons for disapproval; or (3) advise the applicant either in writing, or orally with subsequent written confirmation of the reasons why final action will be delayed and the tentative date of such final action is expected. Be reminded that prior approval is required of any commingling of production and/or off-lease sales, storage, usage, and measurement. If verbal approval is granted, a written application must be timely filed with the Authorized Officer.

Once an application for commingling of production and/or off-lease sales, storage, usage, and measurement is approved, the effective date of approval will be the first day of the month in which the approval is granted, however, applications may become effective on any day specified by the Authorized Officer.

Should the BLM require upgrades of existing commingling system applications or previously approved applications, the upgrades will be implemented by means of supplements to the original application. Execution of upgrade actions will be initiated by the BLM on a case by case basis after reviewing existing approvals. All requirements for upgrades will set forth specific reference to any documented requirements that are unfulfilled prior to approval. In the event that modification to a gathering system is required, reasonable time frames will be allowed for implementation of the modifications.

#### VI. INSPECTION AND ENFORCEMENT

Failure to receive approval for combining of production, or for off-lease measurement and/or storage could result in a loss of Federal or Indian royalties and may be considered a major violation. The enforcement action to be taken for this violation may include an immediate shut-in order and possible assessments as authorized by 43 CFR 3160.

Failure to operate in accordance with the provisions outlined in the Authorized Officer's approval letter and/or subsequent stipulations or modifications may subject such approval to revocation. These incidents may be considered major or minor, depending on importance, and could also result in an Incidence of Non-Compliance (INC) with appropriate correction time frames, an immediate shut-in order, and/or an assessment.