



Welcome to the Proposed Fluid Mineral Leases and Leasing Process Rule Informational Session



U.S. Department of the Interior
Bureau of Land Management

August 2023

Proposed Rule on the Fluid Mineral Leases and Leasing Process (RIN 1004-AE80)





Agenda

1. Meeting Logistics
2. Welcome and Opening Remarks
3. Proposed Changes to Fiscal Terms
 - Questions and Answers on Fiscal Terms
4. Proposed Leasing Process
 - Questions and Answers on Leasing Process
5. Proposed Changes to Bonding
 - Questions and Answers on Bonding
6. Proposed Oil and Gas Operational Changes
 - Questions and Answers on Operational Changes
7. Next Steps
8. General Questions and Answers



Meeting Logistics

Zoom Etiquette



Presentation will be recorded



Microphones are muted



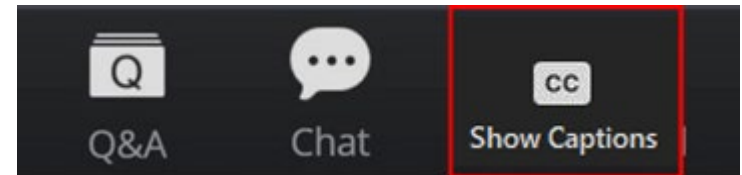
Chat will only be used for
Zoom technical support



Submit questions via Q&A
during the presentation

How to Turn on Closed Captioning

- Click “CC” to turn on/off captions





Meeting Logistics (Continued)

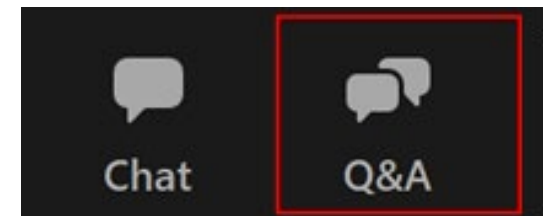
The purpose of this meeting is to provide information about the Proposed Fluid Mineral Leases and Leasing Process Rule and answer questions from the public.

Comments will NOT be recorded at this meeting, but you can ask questions about the rule.

We will be answering questions after each topic. You can ask questions on that topic at any point during that portion of the presentation.

How to Ask a Question in Zoom

- Submit Questions using the Q&A feature.





How to Comment on the Proposed Rule

The Proposed Rule is available online on the Federal eRulemaking Portal (www.Regulation.gov) at: <https://www.regulations.gov/document/BLM-2023-0005-0001>.

Submit by mail:

Attention: 1004–AE80, Director (630)

Bureau of Land Management

1849 C St. NW, Room 5646

Washington, DC 20240



**Comment
Deadline is
Sept 22!**

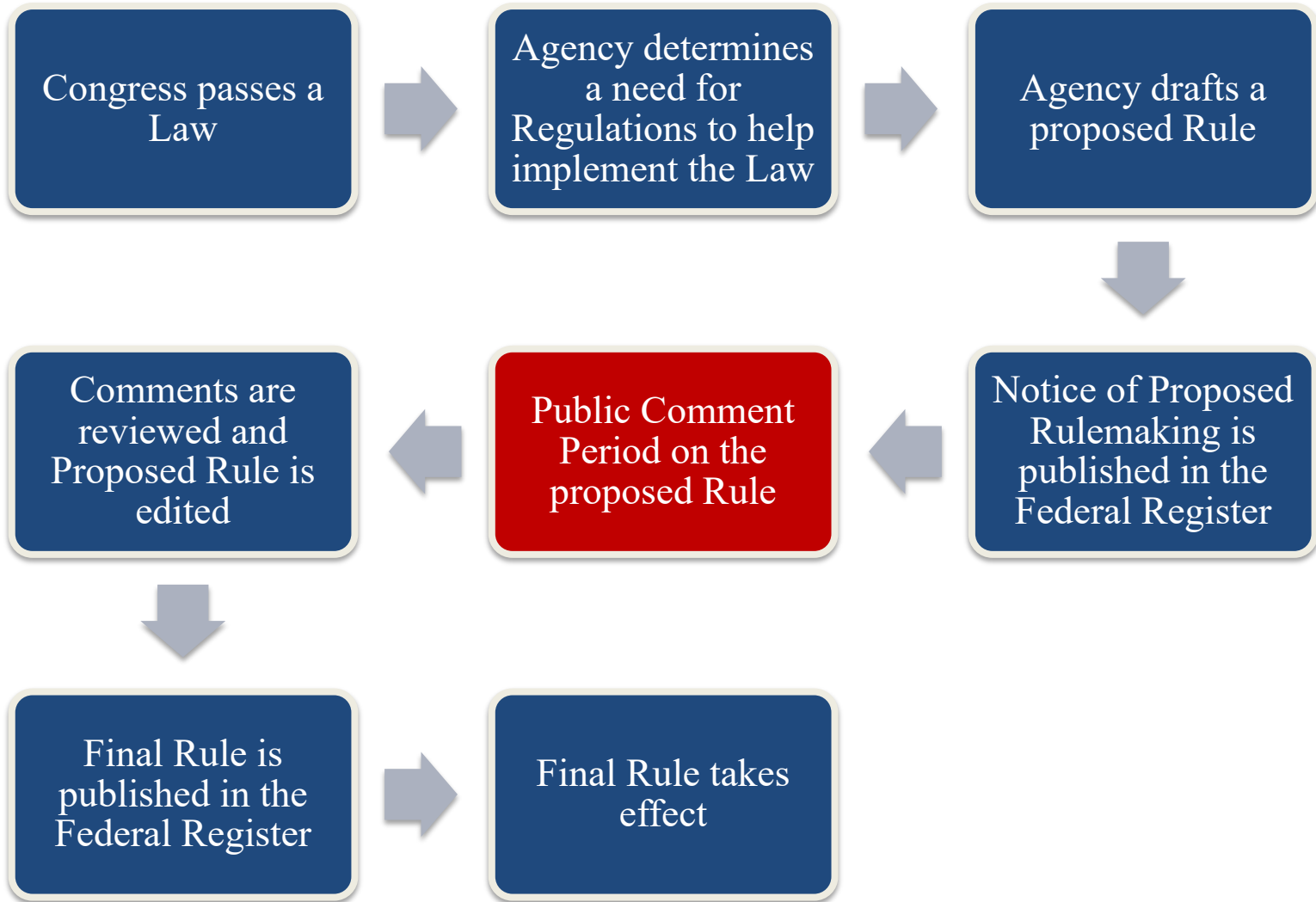




Welcome and Opening Remarks



The Federal Rulemaking Process





Reason for this Regulatory Action

Broad Overview of Rationale

- Update regulations to reflect statutory changes made by the **Inflation Reduction Act and the Infrastructure Investment and Jobs Act**
- Reflect **GAO and OIG recommendations** in the following reports:
 - BLM Should Update Its Guidance and Review Its Fees (GAO-22-103968)
 - Onshore Competitive and Noncompetitive Lease Revenues (GAO-21-138)
 - BLM Could Improve Oversight of Lease Suspensions with Better Data and Monitoring Procedures (GAO-18-411)
 - Actions Needed to Improve BLM's Royalty Relief Policy (GAO-21-169T)
 - Oil and Gas: Bureau of Land Management Should Address Risks from Insufficient Bonds to Reclaim Wells (GAO-19-615)
 - Challenges to Ensuring a Fair Return for Federal Energy Resources (GAO-19-718T)
 - The Bureau of Land Management Did Not Review the Federal Exclusions List Before Issuing Federal Mineral Leases (OIG-2021-CR-007)
- Adopt certain recommendations, where appropriate, from the **DOI Report** on the Federal Oil and Gas Leasing Program (Nov. 2021)
- **Update outdated requirements**, notably minimum **bonding** requirements
- Update portions of the rules that have not been updated since the 1950's or 1980's



Components of this Rulemaking

This proposed rulemaking contains updates to multiple Parts of the Federal regulations, listed below:

- 43 CFR 3000, Minerals Management: General
- 43 CFR 3100, Oil and Gas Leasing
- 43 CFR 3110, Noncompetitive Leases
- 43 CFR 3120, Competitive Leases
- 43 CFR 3130, Oil and Gas Leasing: National Petroleum Reserve, Alaska (minor updates)
- 43 CFR 3140, Leasing in Special Tar Sand Areas (minor updates)
- 43 CFR 3150, Onshore Oil and Gas Geophysical Exploration (minor updates)
- 43 CFR 3160, Onshore Oil and Gas Operations (minor updates)
- 43 CFR 3170, Onshore Oil and Gas Production (minor updates)
- 43 CFR 3180, Onshore Oil and Gas Unit Agreements: Unproven Areas (minor updates)



Modified Section Numbers

The BLM is proposing to update the numbering of many sections to match the Code of Federal Regulations' current numbering format. To provide consistency, the BLM attempted to keep the numbering similar. For example:

Current Regulations Numbering		Proposed Regulations Numbering
43 CFR 3101.1-1 Lease form.	→	43 CFR 3101.11 Lease form.
43 CFR 3101.2-5 Computation.	→	43 CFR 3101.25 Computation.
43 CFR 3102.3 Minors.	→	43 CFR 3102.30 Minors.
43 CFR 3102.5-1 Compliance.	→	43 CFR 3102.51 Compliance.
43 CFR 3103.3-1 Royalty on production.	→	43 CFR 3103.31 Royalty on production.
43 CFR 3105.5-2 Purpose.	→	43 CFR 3105.42 Purpose.*

*Note: In instances where a full set of sections was deleted in the same subpart, the numbering DID change more significantly.



Category: Proposed Changes to Fiscal Terms

- Inflation Reduction Act implementation
 - Royalty
 - Rental
 - Minimum Bonus Bid
 - Class II Reinstatements
 - Expressions of Interest Filing Fee
 - Elimination of Noncompetitive Leasing
- Fixed filing fees



Changes Based upon the Inflation Reduction Act (IRA)

<i>Term</i>	<i>Regulations Prior to IRA</i>	<i>IRA-Required Changes (Currently Being Implemented)</i>	<i>Proposed Regulations</i>
<i>Royalty</i>	Minimum of 12.5% (43 CFR 3103.3 1(a)(2))	16.67% for 10 years. Minimum of 16.67% after 8/16/2032. (IRA Sec. 50262)	16.67% for 10 years. Minimum of 16.67% after 8/16/2032.
<i>Rental</i>	\$1.50 per acre for the first 5 years of the lease term and \$2 per acre for any subsequent year (43 CFR 3103.2 2(a))	\$3.00 per acre for the first 2 years; \$5.00 per acre for lease years 3 through 8; and \$15.00 per acre thereafter. Applies for 10 years. Minimum after 8/16/2032. (IRA Sec. 50262)	\$3.00 per acre for the first 2 years; \$5.00 per acre for lease years 3 through 8; and \$15.00 per acre thereafter. Adjust for inflation after 8/16/2032.
<i>Minimum Bonus Bid</i>	\$2 per acre or fraction thereof (43 CFR 3120.1 2(c))	\$10 per acre for 10 years. Minimum after 8/16/2032. (IRA Sec. 50262)	\$10 per acre. Adjust for inflation after 8/16/2032.
<i>Expressions of Interest (EOI)</i>	Does not exist.	Nonrefundable filing fee of \$5 per acre. (IRA Sec. 50262) Ties wind and solar energy rights-of-way to oil and gas leasing. (IRA Sec. 50265)	Nonrefundable filing fee of \$5 per acre. Due at time of EOI submission. Ties wind and solar energy rights-of-way to oil and gas leasing.
<i>Class II Reinstatements</i>	Available to all types of leases. <i>Royalty:</i> Not less than 16.67%. <i>Rental:</i> \$10 per acre, or fraction thereof.	Limited to competitive leases and noncompetitive acquired leases. <i>Royalty:</i> Not less than 20%. <i>Rental:</i> \$20 per acre, or fraction thereof. (IRA Sec. 50262)	Limited to competitive leases. Will not apply to leases on acquired land. <i>Royalty:</i> Not less than 20%. <i>Rental:</i> \$20 per acre, or fraction thereof. Adjusted for inflation.
<i>Noncompetitive leasing</i>	Various provisions implementing the previous statutory authority. (43 CFR 3110)	Eliminated statutory authority. (IRA Sec. 50262)	Eliminate 43 CFR 3110.



Proposed Update: Filing Fees

Description	Current Fee (FY 2023)	Proposed Fee
Formal lease nomination	Does not exist	\$125
Expression of Interest fee per acre, or fraction thereof (Per IRA)	Does not exist	\$5
Competitive lease application	\$185	\$3,100
Leasing under right-of-way	\$475	\$680
Leases consolidation	\$525	\$525
Lease reinstatement, Class I	\$90	\$1,260
Geophysical exploration permit application – all states	\$30 (Alaska only)	\$1,150 (all states)
Final application for Federal unit agreement approval, Federal unit agreement expansion, Federal subsurface gas storage applications	Does not exist	\$1,200
Designation of successor operator for Federal agreements	Does not exist	\$120



We are taking a 5-minute break



Proposed Changes to Fiscal Terms Question and Answer



Help Us Ensure Wise Decision Making



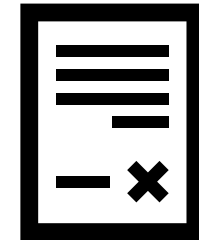
Category: Proposed Leasing Process

- Preferences for O&G leasing
- Nomination process
- Expression of interest process
- Ensuring qualified and responsible bidders and lessees
- Any other proposed changes in the rule



Proposed Update: Competitive Leasing Process

- Revise the nomination process in Subpart 3120.3 (existing reference), which has never been implemented.
- Add information on the submission of expressions of interest (EOI).
 - Submit electronically
 - Require a filing fee
 - Will not accept anonymous EOIs
- Requesting public feedback on the BLM's process (formal nominations or informal EOIs).





Proposed Update: Competitive Leasing Process, cont'd

Evaluate expressions of interest for leasing preference based upon:

1. Proximity to existing oil and gas development, giving preference to lands upon which a prudent operator would seek to expand existing operations;
2. The presence of important fish and wildlife habitats or connectivity areas, giving preference to lands that would not impair the proper functioning of such habitats or corridors;
3. The presence of historic properties, sacred sites, and other high value cultural resources, giving preference to lands that do not contribute to the cultural significance of such resources;
4. The presence of recreation and other important uses or resources, giving preference to lands that do not contribute to the value of such uses or resources; and
5. Potential for development, giving preference to lands with high potential for development.

Currently also in policy at [IM 2023-007](#), *Evaluating Competitive Oil and Gas Lease Sale Parcels for Future Lease Sales*.



Proposed update: Bidder/lessee qualifications

New definitions for qualified and responsible bidder/lessee:

- ***Qualified bidder/lessee*** means any person or entity that is in compliance with the applicable regulations and leasing authorities governing a bid and subsequent lease.
- ***Responsible bidder/lessee*** means any person or entity who has not defaulted on previous winning bids, is capable of fulfilling the requirements of federal oil and gas leases and does not have a history of noncompliance with the Bureau's regulations or the terms of an oil and gas lease. Responsible bidders do not include bad-faith bidders (an individual or company that bids with no intention of paying) and non-paying bidders (an individual or company that defaults without malfeasance, e.g. insufficient funds).

Revise timeframe for adding operators to the list of entities in noncompliance with the reclamation requirements of Section 17(g) of the Mineral Leasing Act. Will allow the BLM to add operators to the 17(g) list if they fail to comply with reclamation requirements in the timeframe prescribed by BLM's notice, which is 30 to 60 days earlier than under the current rule..



Request for Input: Addressing Greenhouse Gas Emissions

"While the proposed rule text sets out a number of criteria to aid the BLM in selecting parcels for potential inclusion in lease sales, the analysis of the impacts of leasing these parcels would also address the potential impacts of direct, indirect, and cumulative greenhouse gas emissions from leasing in accordance with the National Environmental Policy Act (NEPA) and applicable legal precedent. While the preference criteria will also affect the environmental consequences of proposed leasing, the BLM requests comment on whether the preference criteria or other portions of this proposed rule should be expanded, or new provisions added, to discuss analysis of greenhouse gas emissions and related decision-making based on the analysis."



We are taking a 5-minute break



Proposed Leasing Process Question and Answer



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Category: Proposed Changes to Bonding

- Increase of statewide and lease/individual bonds
- Elimination of nationwide and unit bonds
- Surface owner protection bonds
- Types of securities
 - Elimination of letters of credits and certificates of deposits
 - Any other types of securities
- Phase-in period for bond amounts



Proposed Changes to Bonding

1. Raise Individual Bonds

- Current minimum bond is **\$10,000**
- Proposed minimum bond is **\$150,000**

2. Raise Statewide Bonds

- Current minimum bond is **\$25,000**
- Proposed minimum bond is **\$500,000**

3. Remove Nationwide Bonds and Unit Operator Bonds

4. Add Surface Owner Protection Bonds, minimum of \$1,000.

5. Add a phase-in period for the new bond amounts, starting with lease bonds.





We are taking a 5-minute break



Proposed Changes to Bonding Question and Answer



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Category: Proposed Oil and Gas Operational Changes

- Oil and gas lease suspensions
- Application for permit to drill extensions
- Changes to comply with the Infrastructure Investment and Jobs Act
 - Defining shut-in and temporarily abandoned wells
 - Changes for operators to report shut-in wells
 - Cap on length of time a well may be idled
 - Requirement for operators to verify a nonoperational wells' mechanical integrity



Proposed Update: Suspensions

- Overall goal is to **update requirements for operator applied-for suspensions but ensure BLM still has the discretion/flexibility** to employ directed suspensions in the interest of conservation, etc.
- The authorized officer will not grant a suspension of operations and production for a lease based on an APD filed less than 90 days prior to the expiration date of the lease.
- Suspensions granted will not exceed one year when requested by the operator.
- If the circumstances that warranted the suspension are still applicable, a request to extend the suspension prior to the lifting date of the suspension is required.





Proposed Update: Approved Application for Permit to Drill (APD) Extensions

- Proposing Approved APDs have a set term of **3 years**.
- Proposing to **no longer grant extensions** to the Approved APD term (Currently 2-year term, option for 2-year extension).
- Proposing that the APD term will remain valid if the operator or lessee:
 1. Has drilled the well to total depth,
 2. Is drilling the well with a rig capable of reaching total depth,
 3. Has submitted a plan, approved by the BLM, for continuously drilling the well to reach the proposed total depth in the Approved APD.

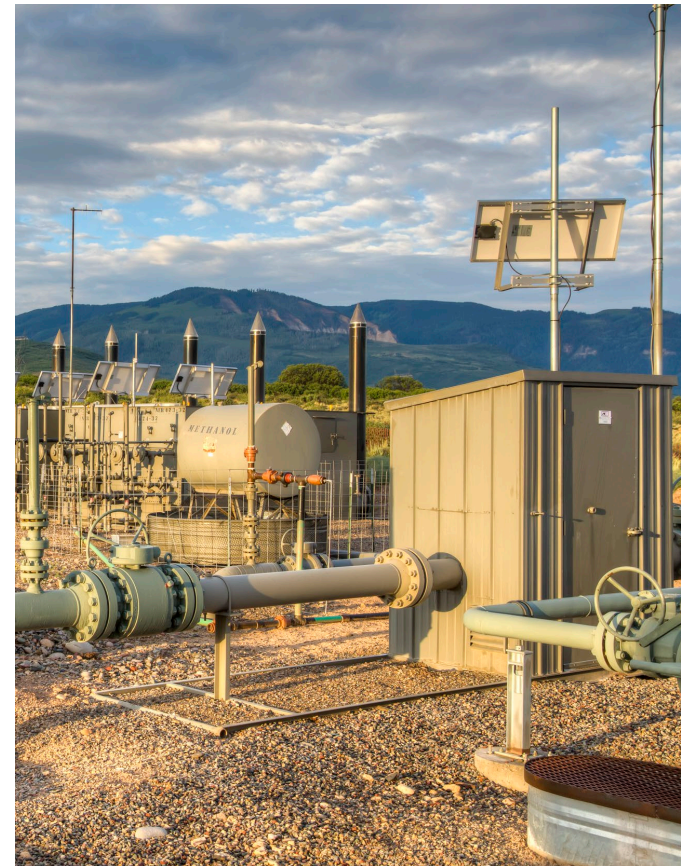




Proposed Updates: Temporarily Abandoned and Shut-In Wells

The BLM is proposing to define both temporarily abandoned and shut-in wells:

- ***Shut-in well*** means a nonoperational well that can physically and mechanically operate by opening valves or activating existing equipment.
- ***Temporarily abandoned well*** means a nonoperational well that is not physically or mechanically capable of production or injection without additional equipment or without servicing the well but may have a future beneficial use.





Proposed Updates: Temporarily Abandoned and Shut-In Wells (Continued)

Revise the temporarily abandoned requirements in 43 CFR 3162.3-4(c) to require:

- Justification for the temporarily abandonment,
- Annual verification of mechanical integrity of the well, and
- A cap of four years for temporarily abandonment to match the Infrastructure Investment and Jobs Act (IIJA) which directs the BLM to “reduce the inventory of idled wells [4+ years] on Federal land”.

Add multiple requirements related to shut-in wells at 43 CFR 3162.3-4(d):

- Notify the Authorizing Officer of a shut-in well within 90-days of shut-in.
- Within three years, verify the mechanical integrity of the well.
- Within four years, require the operator to plug the well, return the well to production, or provide a detailed plan and timeline for the future beneficial use of the well for an additional one-year extension of the requirement to plug the well (also aimed at implementing the above provision of the IIJA).



We are taking a 5-minute break



Proposed Oil and Gas Operational Changes Question and Answer



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Next Steps

- Today's meeting marks the beginning of important conversations with partners, stakeholders, and the public.
- *Federal Register* publication initiated 60-day public comment period ending on 9/22/2023.
- More information forums upcoming in Albuquerque (August 22, 2023), Denver (August 29, 2023), and Salt Lake City (September 12, 2023).





How to Comment on the Proposed Rule (Reminder)

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Submit by mail:

Attention: 1004–AE80, Director (630)

Bureau of Land Management

1849 C St. NW, Room 5646

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**Comment
Deadline is
Sept 22!**





General Question and Answer Session



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Thank you!

