



BLM NEWS RELEASE

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Bureau of Land Management

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BLM Seeks Comment on Proposed Rule to Modernize Oil and Gas Regulations *Updated Standards Will Help Ensure States, Tribes, Taxpayers Get Fair Return*

WASHINGTON – The Bureau of Land Management (BLM) today released proposed, updated regulations to ensure accurate measurement, accountability, and royalty payments for oil and gas production from Federal and Indian leases. Aimed at preventing theft and loss of these valuable resources, the proposed rule does not impose an unreasonable financial or regulatory burden on industry or the BLM. Public comment on the rule is being sought for 60 days, through September 11, 2015.

“The proposed rule represents an important step in the BLM’s modernization of its oil and gas regulations,” said Assistant Secretary for Land and Minerals Management Janice M. Schneider. “These updates will help ensure that oil and gas produced from leases overseen by the BLM is properly measured, that **American taxpayers receive fair value for public resources, and that Indian tribes and allottees, States and local governments receive the full royalties they are due.**”

The proposed rule will replace Onshore Oil and Gas Order Number 3 (Order 3), which has not been updated since 1989 and does not reflect modern industry operations or technology. Order 3 sets minimum standards for ensuring that oil and gas produced from leases overseen by the BLM are properly and securely handled. The BLM determined that updates to these standards were necessary based on its experience with oil and gas measurement in the field and the changes in technology and industry operations that have occurred since Order 3 was issued.

“The BLM’s rules concerning oil and gas measurement are over 25 years old and are long overdue for an update,” said BLM Director Neil Kornze. “The reasonable and commonsense updates we are proposing today represent an important step forward toward modernizing our program and will help us ensure that oil and gas sites are properly and responsibly managed.”

Informed by tribal consultations and public listen sessions, the proposed rule also responds directly to recommendations from the Government Accountability Office (GAO), Interior’s Office of the Inspector General, and the Interior Department’s Subcommittee on Royalty Management, all of which expressed concerns about the adequacy of the BLM’s existing requirements with respect to production accountability. In recent years these concerns have contributed to the Department’s inclusion on the GAO’s High Risk List. This rule will address many of the changes recommended by the GAO.

Specifically, the proposed rule would:

- Establish uniform procedures for designating official points for oil and gas measurement for royalty accounting purposes, known as facility measurement points, that are applicable to new and existing leases;
- Codify existing guidance related to approving commingling, i.e., the -combining of production from multiple leases, unit Participating Areas (PA), Communitized Areas (CA), or fee or State properties before the point of royalty measurement.
- Establish conditions for the approval of off-lease oil and gas measurement;
- Update requirements related to the use of valve and drain seals, prohibitions on the use of meter by-passes, and reporting requirements;
- Require operators of new and existing oil and gas facilities to provide new site facility diagrams designed to help BLM meet its oversight responsibilities; and
- Require purchasers and transporters to comply with the same standards as operators with respect to records.

The proposed rule is the next step in a process that the BLM began in 2011 with tribal consultation meetings and continued in 2013 with public listening sessions on potential changes to several of its existing Onshore Orders. The public listening sessions included representatives from Indian lands, environmental groups, other Federal agencies, and the oil and gas industry. Input from the listening sessions, stakeholder outreach, as well as tribal consultation meetings that have occurred since that time, helped inform the development of the proposed rule.

The BLM oil and gas management program is one of the most important mineral leasing programs in the Federal government. The total value of production is over \$33 billion, which generates more than \$3 billion in royalty revenue annually from oil and gas leasing activities on public lands (most of which is shared with state and local governments) and nearly \$1 billion in royalty revenue from activities on tribal lands (all of which goes to tribes or individual allottees).

Domestic oil and gas production has grown each year since 2009. Combined with recent declines in oil consumption, foreign oil imports now account for less than 40 percent of the oil consumed in America – the lowest level since 1988. Given the magnitude of federal and tribal production and the BLM’s statutory and management obligations, it is critically important that the BLM ensure that operators accurately measure, properly report, and account for oil and gas production on federal and Indian lands.

The proposed rule may be viewed online at: <https://www.federalregister.gov/public-inspection>.

The BLM encourages the public to participate in the process by submitting comments on the proposed rule by September 11, 2015. Submit comments through one of the following methods:

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions at this Web site.

- **Mail:** U.S. Department of the Interior, Director (630), Bureau of Land Management, Mail Stop 2134 LM, 1849 C Street NW, Washington, DC 20240 Attention: Regulatory Affairs.
- **Personal/messenger delivery:** Bureau of Land Management, 20 M. Street SE, Room 2134 LM, Attention: Regulatory Affairs, Washington, DC 20003.

The BLM manages more than 245 million acres of public land, the most of any Federal agency. This land, known as the National System of Public Lands, is primarily located in 12 Western states, including Alaska. The BLM also administers 700 million acres of sub-surface mineral estate throughout the nation. The BLM's mission is to manage and conserve the public lands for the use and enjoyment of present and future generations under our mandate of multiple-use and sustained yield. In Fiscal Year 2014, the BLM generated \$5.2 billion in receipts from public lands.

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