News Release

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BLM Completes Comprehensive Update of Its Oil and Gas Measurement Rules
Multiyear effort to update Onshore Orders 3, 4, and 5 culminates with 3 rules based on modern measurement practices & technology that will ensure tribes & taxpayers a fair return

WASHINGTON – The Bureau of Land Management announced the finalization of three rules today designed to ensure the accurate measurement, proper reporting, and accurate recordkeeping of oil and gas produced from Federal and Indian leases in order to ensure that the royalties due are paid.

"The conclusion of this rulemaking effort is a significant milestone in the BLM's effort to modernize its oil and gas program," said Janice Schneider, Assistant Secretary for Land and Minerals Management. "The updates made by these rules create a durable framework for the future that will support the responsible development and management of the nation's oil and gas resources and ensure that both the American public and tribes receive a fair return for these resources."

Today's rules update and replace Onshore Oil and Gas Orders (Orders) 3 (new part 3173), 4 (new part 3174), and 5 (new part 3175), and represent the first comprehensive update of BLM's measurement rules since they were issued over 25 years ago. The rule to replace Order 3 governs oil and gas handling and is designed to ensure that production is properly accounted for in order to prevent theft and loss and enable that production to be verified. Orders 4 and 5 establish minimum standards for the accurate measurement of all oil and gas, respectively. These new rules:

- Incorporate the latest industry standards, measurement technology, and practices; and
- Establish a one-stop, national process for the review and approval of new measurement technologies and practices to allow them to be deployed quickly across BLM-managed leases.

"These new rules provide a strong foundation for our oil and gas program that will ensure we are meeting our obligation to the American people and to the tribes we work with," said Neil Kornze, BLM Director. "These new rules also give the BLM the tools to be responsive to new technology - this change is particularly important because changing technology often provides opportunities to make oilfield operations safer and more efficient."

The finalization of these rules concludes a seven-year effort to address concerns raised by the Government Accountability Office (GAO), the Department of the Interior's Office of the Inspector General (OIG), and the Secretary's Royalty Policy Committee; all of whom expressed significant concern about the adequacy of the BLM's prior measurement rules.

The new rules will ensure that the oil and gas produced from Federal and Indian leases are accurately measured and accounted for, so that the proper royalties due can be paid. Royalties from federal leases are split between the U.S. Treasury and the State where the production occurs. Indian tribes and individual Indian allotment owners keep 100 percent of the royalties collected from leases on their lands.

Accurate measurement and production accountability is critically important because the BLM's oil and gas program is one of the most important mineral leasing programs in the Federal government. The total value of production last year was nearly $20 billion, which generated more than $2 billion in royalty revenue annually from federal leases and nearly $600 million in royalty revenue from tribal and allotted leases.

While all three of the rules address changing technologies and industry practices, the final rules will also contribute to oil field safety, by expressly recognizing automatic tank gauging as a permissible means to measure oil and prepare end-of-month inventories. This change gives operators the opportunity to deploy a technology more broadly that protects workers and reduces the need for workers to enter storage tanks and to open hatches that may expose them to potentially lethal fumes.

As part of the rule writing effort, the BLM held five public meetings and information sessions and made each of the proposed rules available for more than 60 days in order to hear public and industry concerns and gather comments, all of which were carefully considered during the development of the final rules. These meetings were in addition to the public listening session that preceded the development of the proposed rules. The BLM made a number of changes to the final rules that respond directly to concerns raised by stakeholders and reduce costs, while still ensuring the rules meet the federal government's fiscal obligations.

On net, the BLM estimates that these changes reduce the total one-time compliance costs of the rules by nearly $100 million when compared to the proposed rules. Ongoing annual costs are also reduced significantly; BLM estimates that those costs have decreased by about $32 million relative to the proposed rules. In aggregate, the BLM estimates that these rules will cost $12,856 per operator per year for the first 3 years, and then $7,654 thereafter.

Copies of the signed rules submitted to the Federal Register are available on BLM's website – 3173, 3174 and 3175. Fact sheets explaining the key changes in between the proposed and final rules are also available on BLM's website. In the coming weeks, the BLM will set up stakeholder briefings to review the updated rules. The regulations will become effective 60 days after they are published in the Federal Register.

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