United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Colorado State Office
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Lakewood, Colorado 80215-7210
www.co.blm.gov

In Reply, Refer To:
3170(CO922) P

AUG 0 6 2018

Attn: Operator

SUBJECT: TIMEFRAMES AND IMPLEMENTATION OF 43 CFR SUBPARTS 3173, 3174, AND 3175

Dear Operator,

The Bureau of Land Management's (BLM) new regulations for the measurement and handling of oil and gas removed or sold from Federal and Indian leases and agreements (43 CFR subparts 3170, 3173, 3174, and 3175) became effective on January 17, 2017. Since the effective date, the BLM has experienced several unforeseen delays pertaining to the implementation of the Facility Measurement Point (FMP) application software, the formation and functioning of the Production Measurement Team (PMT), and the development of the Gas Analysis Reporting and Verification System (GARVS). As a result of these delays and other concerns expressed by industry, this letter describes new guidance and recommendations (see IM 2018-069 and IM 2018-077) to BLM state and field offices regarding the implementation of certain provisions in the new regulations, as summarized below:

- The BLM anticipates that operators may begin applying for FMPs in 2019;
- The BLM is providing guidance to state and field offices that will establish a simplified and consistent process for operators to obtain a variance allowing for the use of automatic tank gauging (ATG) systems and Coriolis meters before the 43 CFR subpart 3174 ("3174") phase-in periods end;
- The BLM is providing guidance to state and field offices that will establish a simplified and consistent process for operators to obtain a variance from the sampling and analysis requirements of 3175.113(d)(5)-(6);
- The BLM is recommending that state and field offices delay enforcement of certain provisions in 3174 and 43 CFR subpart 3175 ("3175") that require the use of equipment and software approved by the BLM and listed at www.blm.gov until the BLM has

executed the prerequisite approvals and operators have been afforded a reasonable opportunity to comply;

- The BLM is recommending that state and field offices delay enforcement of 3175.120(e) and (f) until the BLM has implemented the GARVS and operators have been afforded a reasonable opportunity to comply;
- Finally, during the 3175 phase-in periods for FMPs in place prior to January 17, 2017, the BLM is recommending that state and field offices allow operators to voluntarily adopt certain requirements of 3175 early. If the state or field office does allow for such early adoption, the BLM recommends that the state or field office enforce the specified requirements of 3175, rather than the corresponding requirements of Onshore Order No. 5 (including the Statewide Notices to Lessees for Electronic Flow Computers (Statewide NTLs)).

Each of these items are discussed in greater detail below.

FMP Application Software

Under 3173.12(e), operators must apply for an FMP for facilities in service on or before January 17, 2017, within one to three years, depending on the average volume of oil and gas produced from the lease or agreement serviced by the facility. Due to unforeseen delays, the BLM has not finished the development of the on-line FMP application software necessary for operators to submit their applications. To address this delay, the BLM sent out a "dear operator" letter last year, explaining that the FMP application timeframes will not start until the BLM completes the application software. The BLM originally anticipated that the FMP application software would be ready by early summer of 2017; however, the BLM now anticipates that it will not be complete until summer of 2019.

Reducing the time it takes to process an Application for Permit to Drill (APD) is an Administration priority. To help achieve this goal, the BLM is developing software to streamline and track APD processing. As a result, the BLM has temporarily diverted resources from the FMP application software development team to help with the APD priority. Once the APD portion of the software is fully functional, the BLM will resume work on the FMP application software.

When the FMP application software is fully functional, the BLM will send out another letter establishing the "new effective date" for 3173 and 3174, as described in the previous letter. The new effective date is the starting date for the one-, two-, and three-year timeframes for operators to apply for an FMP (see 3173.12(e)) and for operators to bring oil measurement equipment in use on January 17, 2017, into compliance with the requirements of 3174 (see 3174.2(f)).

Use of Automatic Tank Gauging and Coriolis Meters

The new oil measurement regulations (3174) allow for the use of Automatic Tank Gauging (ATG) systems and Coriolis meters without any additional approval. The regulations include minimum standards for their use. However, for FMPs in use on January 17, 2017, the 3174 regulations do not become effective until the phase-in periods end (see 3174.2(f)). Because the 3174 phase-in periods coincide with the now-delayed FMP application deadlines, the BLM does not anticipate the phase-in periods ending until 2020 (high-tier leases and agreements), 2021 (middle-tier leases and agreements), or 2022 (low-tier leases and agreements).

Prior to the end of the phase-in periods, operators must continue to comply with the requirements of Onshore Order No. 4, which has no provisions for ATG systems or Coriolis meters. As a result, operators wishing to use ATG systems or Coriolis meters at existing FMPs prior to the end of the phase-in period must obtain a variance from the local field office. In order to expedite and standardize the process for obtaining these variances, the Washington Office has developed guidance for the field offices that includes a standard set of Conditions of Approval based on the requirements for ATG systems and Coriolis meters in 3174.

Processing Requests for Variances from Sampling Analysis Requirements of 3175.113(d)(5)-(6)

Subparagraphs 3175.113(d)(5) and (d)(6) require the operator to take and analyze at least 3 samples when using a portable gas chromatograph (GC), and then use those 3 analyses to determine an average heating value for Oil and Gas Operations Report (OGOR) B reporting. For high- and very-high-volume FMPs, 3175.113(d)(6) requires the operator to continue taking samples until the heating value difference is within an established tolerance. Operators have expressed concern with these requirements because the tolerances can be difficult to meet when analyzing a live gas stream. Operators also expressed concern about the burdens associated with retaining data from the additional analyses. Many operators believe that these additional requirements on portable GCs are onerous enough that they will go back to using cylinders.

A consortium of oil and gas operators and midstream companies developed a standard operating procedure (SOP) intended to serve as a substitute for the requirements of 3175.113(d)(5) and (d)(6). The BLM has reviewed this SOP and believes that it adequately addresses the quality control issues that 3175.113(d)(5) and (6) were intended to address and would justify a variance request under 3170.6. The BLM is providing this SOP to state and field offices in order to facilitate the variance process.

Use of BLM-approved Equipment

Certain provisions of 3174 and 3175 require operators to use specific makes, models, and sizes of equipment and software versions approved by the BLM, upon recommendation of the PMT, starting on January 17, 2019.[1] These provisions are:

Oil Measurement

3174.6(b)(5)(ii)(A) (ATG systems)
3174.6(b)(5)(iii) (in-line meters)
3174.8(a)(1) (Coriolis meters and positive displacement meters)
3174.9(b) (Coriolis meters and associated software)
3174.13 (Any method of oil measurement other than tank gauging, LACT, or CMS)

Gas Measurement

3175.43 (Transducers)
3175.44 (Flow computer software)
3175.46 (Flow conditioners)
3175.47 (Differential meters other than flange-tapped orifice plates)
3175.48 (Linear devices)
3175.49 (Accounting systems)

As of November 6, 2017, the PMT was fully staffed and functional. However, it is unlikely that the PMT will have a list of approved equipment until late 2018, at the earliest. The BLM recognizes that, even if the BLM approves all necessary equipment and software in advance of January 17, 2019, operators will not have sufficient time to acquire and install the equipment and software. Therefore, the BLM has issued guidance to its state and field offices to delay to enforcement of these requirements until the BLM has executed the prerequisite approvals and operators have been afforded a reasonable opportunity to comply.

Gas Analysis and Verification System

Under 3175.120(e), the "operator must submit all gas analysis reports to the BLM within 15 days of the due date for the sample…" Section 3175.120(f) requires operators to "submit all gas analysis reports and other required related information electronically through the GARVS." Pursuant to 3175.60, the gas analysis reporting requirements in 3175.120(e) and (f) do not begin

[1] See 43 C.F.R. §§ 3174.6(b)(5)(ii)(A), 3174.6(b)(5)(iii), 3174.8(a)(1), 3174.9(b), 3175.43, 3175.44, 3175.46, 3175.47, 3175.48, 3175.49.

until January 17, 2019. The regulations included the 2-year delay to allow time for the BLM to develop, test, and implement GARVS, which does not currently exist.

Due to competing work priorities, the BLM now recognizes that it will not be able to develop and implement the GARVS software by January, 17, 2019. Presently, the BLM does not expect the GARVS to be ready for use by operators before June 2019, at the earliest. The BLM has issued guidance to its state and field offices to delay enforcement of 3175.120(e) and (f) until the BLM has implemented the GARVS and operators have been afforded a reasonable opportunity to comply.

Early adoption of 3175

Under 3175, operators of FMPs that were in place on or before January 17, 2017, have between one and three years (phase-in period) to bring these FMPs into compliance with 3175 standards. The specific length of the phase-in period depends on the flow category of the FMP, as described in the following table:

Flow Category	Average Flow Rate (Q_{avg})[2]	Phase-in Period End Date[3]
Very High Volume	$Q_{avg} > 1{,}000$ Mcf/day	January 17, 2018
High Volume	200 Mcf/day $< Q_{avg} \leq 1{,}000$ Mcf/day	January 17, 2018
Low Volume	35 Mcf/day $< Q_{avg} \leq 200$ Mcf/day	January 17, 2019
Very Low Volume	$Q_{avg} \leq 35$	January 17, 2020

During the phase-in period, operators must continue to comply with the requirements in Onshore Order No. 5, the Statewide NTLs, and other measurement-related NTLs, written orders, and variances.

Over the past few months, operators have inquired whether they can begin implementing the new regulations, or portions of the new regulations, immediately instead of waiting for the phase-in periods to end. Of particular interest to operators are those requirements of 3175 that are less stringent than similar requirements in Onshore Order No. 5 or the Statewide NTLs. For example, under the Statewide NTLs, operators have to verify (and calibrate, if necessary) all

[2] Average flow rate over the previous 12 months or the life of the FMP, whichever is smaller (see definition of "averaging period" in 43 CFR 3170.3).

[3] Note that the phase-in periods for gas FMPs under 3175 are <u>not</u> affected by the delay in BLM's FMP application software upgrades

electronic flow computers at least quarterly, whereas under 3175 operators only have to verify electronic flow computers annually at very-low volume FMPs and semi-annually at low-volume FMPs.

The individual requirements of 3175 ensure that FMPs achieve the stated performance goals listed in 43 CFR 3175.31. The performance goals in 3175.31 are as strict or more strict than the implied performance goals of Onshore Order 5 and the Statewide NTLs; therefore, the BLM believes that compliance with the 3175 standards, even if they are less demanding than some of the specific requirements in Onshore Order 5 and the Statewide NTLs, will still ensure that measurement meets the purpose of the BLM's measurement regulations (including Onshore Order 5 and the Statewide NTLs). As a result, the BLM is directing its state and field offices to allow for early adoption of the 3175 requirements listed in the table below during the phase-in periods for facility measurement points (FMPs) that were in place prior to January 17, 2017. If the state or field office does allow for such early adoption, the specified requirements in 3175 would apply rather than the corresponding requirements of Onshore Order 5 and the Statewide Notices to Lessees (NTL)[4] for electronic flow computers (Statewide NTL). For all other items, the WO recommends that the state or field offices continue to enforce the requirements in Onshore Order 5 and the Statewide NTL during 3175's phase-in periods.

Please contact Richard Estabrook at (707) 468-4052, restabro@blm.gov, or blm_wo_PMT@blm.gov if you have any questions.

Sincerely,

Suzanne Mehlhoff

Suzanne Mehlhoff
Deputy State Director
Division of Energy, Lands and Minerals

Enclosure
Table for Enforcement of the 3175 Standards During Phase-In Period

[4] See 81 Fed. Reg. 81516 (Nov. 17, 2016) (listing relevant Statewide NTLs).

Requirements for which the BLM recommends enforcing 3175 standards during the phase-in periods for FMPs in place on or before January 17, 2017			
Subject	**Onshore Order No. 5 requirement**	**Statewide NTL requirement**	**3175 requirement**
Calibration/verification frequency for FMPs measuring 35 Mcf/day or less (EGM system)	n/a	Quarterly	Annually
Calibration/verification frequency for FMPs measuring more than 35 Mcf/day but not more than 200 Mcf/day (EGM system)	n/a	Quarterly	Semi-annually
Calibration/verification frequency for FMPs measuring 35 Mcf/day or less (mechanical recorder)	Quarterly	n/a	Semi-annually
Uncertainty for meters measuring more than 100 Mcf/day but not more than 200 Mcf/day	n/a	±3%	No requirement
Beta ratio for meters measuring more than 100 Mcf/day	0.15 – 0.70	0.15 – 0.70	0.10 – 0.75
Differential pressure pen position (mechanical recorders) for FMPs measuring more than 100 Mcf/day but not more than 200 Mcf/day	Outer 2/3	n/a	Outer 90%
Static pressure pen position (mechanical recorders) for FMPs measuring 200 Mcf/day or less	Outer 2/3	n/a	No requirements
Orifice plate inspection frequency for FMPs measuring 35 Mcf/day or less	Semi-annual	Semi-annual	Annually
Amended reports based on as-found verification of normal points	If error is greater than 2%	If error is greater than 2%	If error is greater than 2% and 2 Mcf/day