



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Buffalo Field Office
1425 Fort Street
Buffalo, Wyoming 82834-2436



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3160 (P)
WY-070

Notice to Federal CBM and all Gas Operators in the Buffalo Field Office Area

On April 22, 2002, all Federal oil and gas operators within the jurisdiction of the Buffalo Field Office (BFO) were notified by certified mail of ongoing audits which had identified problems with production reporting practices (see attachment). The letter stated that audit findings have raised two major areas of concern; 1) unauthorized commingling and allocation of gas production, and 2) improper claims for beneficial lease use of gas. While both of these issues continue to be of concern, this "notice" is specifically intended to address unauthorized commingling and allocation of gas production.

Unauthorized commingling and allocation, for the purposes of this notice, will be defined as the combining of any federal lease, Communitization Agreement (CA), or unit Participating Area (PA) production with production from any other federal lease, CA, PA, state, or private (fee) production without prior BLM approval.

The BFO through the inspection and audit process has identified the following problems and issues:

1. Operators have included information about gas measurement methods (e.g. off-lease measurement, commingling and allocation, non-standard measurement devices, etc.), in their Applications for Permit to Drill (APD) or in the Plan of Development (POD) applications. Operators have assumed that the inclusion of this information automatically constituted approval for those measurement methods and equipment. The approval of commingling under 43 CFR 3162.3-2(a) requires a proposal be submitted by the operator on Form 3160-5 (Sundry Notice). Therefore, approved APD or POD applications with measurement information included, **do not automatically constitute BLM approval** for the measurement information..
2. In many of the instances where unauthorized commingling and allocation have been identified and operators notified by the BFO, operators have requested retroactive approval for the unauthorized measurement method. Typically, the measurement in these cases involves the commingling and allocation of non-jurisdictional (state and fee) gas production. Due to BLM's responsibility for accurate measurement and reporting of federal production; and the absence of legal and regulatory authority over state and fee minerals not committed to a federal agreement (unit or communitization agreement), this type of approval is not usually granted.
3. Often, unauthorized commingling and allocation is associated with confusion over BLM's Point of Measurement (POM) and off-lease measurement. By regulation [43 CFR 3162.7-2 (oil) and 3162.7-3 (gas)] BLM's point of measurement for reporting purposes shall be on lease. Any off-lease measurement must have prior BLM approval, and measurement methods and equipment must comply with BLM

standards. Unless otherwise approved, BLM's measurement point for reporting purposes on the majority of production will typically be the first point of measurement for an individual well, or what most operators would call their "allocation meter". Typically, this "wellhead or allocation meter" will be the BLM POM for inspection, audit, and Federal production reporting purposes.

The purpose and intent of this Notice is to ensure federal oil and gas operators take actions to:

1. Review and identify if unauthorized commingling and allocation is taking place on Federal oil and gas lease operations,
2. Ensure that current and future production reporting is made from an approved point of measurement (POM),
3. Ensure all current and prior production records are retained for the last six years, from the date of this notice, and
4. Where production had previously been reported from a point other than an approved point of measurement (POM), correct all federal production reports going back six years from the date of this notice, or the date of first production, whichever is less.

In summary, this office has found instances of incorrect reporting. **Receipt of this letter is the official date of notice for action to address any potential inaccurate measurement and to retain records as specified.** Therefore, all operators will need to review their past and current measurement and reporting practices to determine if they meet the above guidelines for accurate measurement and reporting.

Failure to take corrective actions necessary to correct unauthorized commingling and allocation, and associated production reporting problems may result in additional enforcement action, assessments, and civil penalties under 43 CFR 3163. Additionally, Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits false, inaccurate, or misleading reports, notices, affidavits, records, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

Thank you for your attention on this matter. For questions you may call Roxanne Boone (307) 684-1158 or Lee Greaves (307) 684-1152.

Sincerely,


Chris E. Hanson
Field Manager