



Form 1221-2
June 1969)

Release 3-333

Date 9/18/2009

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OREGON STATE OFFICE
MANUAL TRANSMITTAL SHEET

Subject

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY
DEVELOPMENT HANDBOOK (Internal)

1. **Explanation of Material Transmitted**

This release transmits the Inspection and Enforcement documentation and yearly inspection Strategy development for the fluids program. This new Handbook Section provides direction for the documentation of inspections conducted on oil and gas operations and directions on how to develop the yearly inspection strategy for fluid minerals for the Bureau of Land Management (BLM) Oil and Gas Inspection and Enforcement (I&E) program 3160.

2. **Reports Required**

None

3. **Material Superseded**

Instruction Memorandum No. 2007-118 Oil and Gas Program Enforcement Policy and Procedures, and
Instruction Memorandum No. 2008-196 FY 2009 Oil and Gas Inspection and Enforcement Strategy Matrices Instructions and Strategy attachments 1 and 2.

4. **Filing Instructions**

File as directed below.

Remove:

None

Insert:

H-3160-5

(Total: 134 sheets)

/s/

Assistant Director,
Minerals and Realty Management

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I. INTRODUCTION

The H-3160-5, *Inspection and Enforcement Documentation and Strategy Development Handbook* (Handbook), provides policy guidance for managers and the inspection staff and provides the inspection staff and managers with detailed overview and procedures on the preparation and completion of the annual Oil and Gas Inspection and Enforcement (I&E) Strategy, Inspection Documentation Requirements, Inspection Enforcement/Compliance Action Requirements, and guidance for reporting Major Undesirable events. Also included is a summary of the oil and gas I&E program.

The Bureau of Land Management (BLM) is committed to increased inspection coverage and frequency of Federal and Indian oil and gas operations. Further, the BLM is committed to a balanced oil and gas I&E program that will fulfill our Indian Trust responsibilities and serve to protect, on an equal basis, not only the Federal and Indian mineral interests but also the surface and subsurface environment and the public health and safety. The BLM will accomplish this through consistent implementation of the National Oil and Gas I&E Strategy (Strategy).

The Strategy is the vehicle to communicate consistent nationwide oil and gas inspection accomplishment goals to the field offices (FOs). Just as important, the Strategy is a tool for managers and staff to determine how many and what type of oil and gas inspections can be accomplished with available workmonths and resources, prioritize operational sites to be inspected, identify what funding and workmonths are needed for budget purposes to accomplish the nationwide goals, and monitor oil and gas inspection accomplishment results and progress.

The BLM must ensure that oil and gas operations on Federal and Indian lands are prudently conducted in a manner that ensures production accountability, protection of the surface and subsurface environment, and protection of general public safety. Second, the BLM must ensure that the public's oil and gas resources are properly developed in a manner that maximizes recovery while minimizing waste. Finally, the BLM must ensure oil and gas production from Federal and Indian lands is properly handled, measured accurately, and reported correctly. This responsibility includes the prioritization of oil and gas inspections to be conducted, tracking of accomplishments, and documentation of results.

The Strategy places a great deal of emphasis on achieving the number of oil and gas inspections required. However, most important is the quality of the inspection. The inspection plan matrix gives FOs the ability to determine workmonths necessary to conduct quality oil and gas inspections. Therefore, the numbers of inspections are used as a measure of workload accomplishments; however, these statistics should not deter the FOs from conducting and documenting oil and gas inspections properly to achieve quality inspections.

Oil and gas operations are inspected periodically to ensure that equipment, practices, and procedures are in accordance with the applicable laws, regulations, Onshore Orders, Notice-

to-Lessees (NTLs), and approval documents. Assigned BLM personnel shall inspect, take enforcement action if necessary, document, and report on oil and gas operations on Federal and Indian leases. All required inspections are to be carried out in accordance with the priority and the frequency established in the annual oil and gas I&E Strategy. The Strategy, as it applies to all inspections, is based upon national criteria, but how it will be accomplished is developed within each FO to address specific local situations.

The forms and procedures discussed as appendices and illustrations throughout this Handbook are mandatory in form and content. The procedures are designed to facilitate consistency and uniformity in oil and gas inspection office matrix submissions, documentation, and enforcement as well as Strategy accomplishments.

A. PROGRAM GOALS/INSPECTION WORKLOADS PRIORITY ORDER

The Oil and Gas I&E Strategy Program goals are to conduct inspections on all high priority drilling, plugging, and abandonment operations, all Federal and Indian production cases rated High to the Federal Oil and Gas Royalty Management Act (FOGRMA) Criteria, High Priority environmental inspections, and High Priority production inspections on new producing oil and gas wells (see II. OIL AND GAS INSPECTION AND ENFORCEMENT STRATEGY GOALS for details).

1. Cases that have had a change of operator (see II. OIL AND GAS INSPECTION AND ENFORCEMENT STRATEGY GOALS for details).
2. Inspections during any well production testing occurring during or after High Priority drilling operations but before the well is placed on a producing well status (see II. OIL AND GAS INSPECTION AND ENFORCEMENT STRATEGY GOALS for details) in accordance with laws mandated by FOGRMA and policy set by the Director.

B. STAGED IMPLEMENTATION

The BLM may increase oil and gas inspection coverage through staged implementation, providing for incremental increases in staffing and inspection accomplishment as specified by the Director. Increases in inspection accomplishments will be required only if program funding increases and through automated tools increasing inspection efficiency. Each inspection office, through time tracking of field activities, collects adequate information to accurately determine how many inspections can be accomplished annually with a given workforce.

C. GOAL FORECASTING

Managers shall plan to meet or exceed oil and gas inspection accomplishment goals each year. The ultimate goal may be revised if the Director determines that a satisfactory level of confidence of operator compliance can be attained with a lower level of inspection accomplishment. Until this occurs, the goals established each year are minimum goals. However, newly hired inspection staff will, generally, not be prepared to accomplish a full inspection workload for a year or more due to the need for formal certification training and on-the-job training (OJT). Therefore, when planning for staffing increases, managers may anticipate a delay in attaining substantially increased inspection accomplishment with new staff.

D. BUDGET

The Authorized Officer (AO) must use the Inspection Plan Matrix Summary as a management tool. The matrix bridges the gap between the budget and accounts for all workmonths required to implement the program. Also, the matrix provides the AO with the ability to determine

- Work that can be accomplished with available inspection workmonths,
- Additional funding, workmonths, or positions required to obtain national inspection goals, and
- Workmonths necessary to perform oversight responsibilities by supervisors or managers. The matrix also accounts for necessary production accountability technicians, environmental specialists, and other support personnel. It also considers activities such as training, overtime requirements, etc.

1. Planning Target Allocation (PTA)

The PTA is based on the BLM funding and performance levels that are included in the President's Budget Justifications for the following year. The Planning Target will be allocated as soon as policy decisions concerning the President's Budget Justifications are available. The AO shall use the current year I&E Strategy Matrix provided from Automated Fluid Minerals Support System (AFMSS) to help calculate projected accomplishments. The projected accomplishments should be based on the planned funding allocations for I&E for each field office. The AO should also identify any additional funding required to meet the minimum national goals for inspections.

2. Annual Work Plan (AWP) Adjustments

When final AWP Program funding is determined, the PTA is adjusted in accordance with the actual funding level. Final inspection targets are then adjusted.

3. Positions and Workmonths

In order to identify positions and workmonths dedicated to oil and gas I&E, close coordination between the specialist completing the I&E Strategy Matrices and the person preparing the budget submission is necessary.

E. WORK HOUR FLEXIBILITY

The effective oversight of oil and gas operations often requires onsite presence at irregular hours of the day or night and at many times with extremely short notice. These are very real and important differences between this and other BLM programs. As such, work hour flexibility and/or appropriate compensation, including overtime or compensatory leave as appropriate, must be effectively managed. Efficient use of work-hour tools can significantly increase inspection accomplishment while minimizing full-time equivalent (FTE) requirements. The AO shall ensure that this flexibility and/or compensation is provided and planned for in the budget process.

F. PERSONNEL

Managers shall ensure that a sufficient number of qualified and certified oil and gas inspection personnel are onboard to accomplish the current Fiscal Year (FY) inspection goals. Managers should, where possible, plan for staff increases one year ahead of time in order to advertise, hire, and train personnel in time to be able to effectively contribute to increased accomplishments the following year.

G. RECRUITING AND STAFFING

To maintain an experienced, well-trained, highly efficient inspection force, each office shall pursue an active recruiting program to promote a public awareness of opportunities available within the BLM for professionally trained field personnel. This will allow for minimum lost time in filling any vacancies that occur and to hire additional qualified inspectors as soon as funding becomes available.

H. MANAGEMENT TRAINING

To properly implement the oil and gas I&E Program, managers and supervisors involved with I&E shall attend, when available, the National Training Center (NTC) course "I&E for Managers." Training specifically targets District and Field Managers, Deputy State

Directors for Mineral Resources, Fluid Mineral Branch Chiefs, Field and State Office Program Coordinators, any other personnel who have oil and gas I&E responsibilities, and tribal oil and gas managers where a cooperative agreement exists between the Tribe and the BLM.

I. PERSONNEL TRAINING

All newly hired inspection personnel, without previous BLM oil and gas I&E experience, require orientation and instruction (formal and informal) in Federal and Indian laws, regulations, Onshore Orders, procedures, and records use. Accordingly, all these individuals shall receive job orientation in the office and OJT training in the field under the supervision of a senior Petroleum Engineering Technician (PET) as soon as possible after coming onboard. In addition, newly hired PETs shall complete the required courses in accordance with the National Certification program for oil and gas I&E personnel. Progress shall be monitored by the supervisor using the Criteria Record Review as required by the H-3160-6, *National Certification Handbook for Oil and Gas Inspection and Enforcement Personnel*, dated October 5, 2005.

Personnel training and skill acquisition is an ongoing process, and all inspection personnel, regardless of experience level, shall attend the required refresher courses for certified inspectors every 5 years.

Formal training sponsored by the NTC, attendance of BLM national conferences/workshops, and local/state/national industry oil and gas conferences/workshops amounting to 24 hours (3 workdays) within each 2-year period may be substituted for the required refresher course.

I&E personnel shall attend formal AFMSS training to acquire the skills and knowledge needed to accurately and consistently enter data into the system.

J. CERTIFICATION

Completion of the self-study books and NTC Course 3100-01, "Oil and Gas Compliance Certification School for New Petroleum Engineering Technicians," with ongoing OJT will prepare the PET for final certification. Certification shall be in accordance with the BLM H-3160-6, *National Certification Handbook for Oil and Gas Inspection and Enforcement Personnel*. Certification provides evidence that the new PET will be able to successfully conduct entry-level inspections and provides signature authority as the Secretary's authorized and properly identified representative for issuance of Notices of Incidents of Noncompliance (INC). The INCs cannot be issued by personnel who are not certified. Some personnel may be partially certified, limiting their signature authority to specific types of INCs (surface, environmental, administrative). In all but exceptional instances, continued, structured, and supervised OJT as well as advanced training from

accredited sources are necessary before a PET can conduct more technical inspection tasks.

K. SHARING OF INSPECTION RESOURCES

In order to more efficiently utilize oil and gas I&E resources, managers should initiate, when feasible, cooperative arrangements between FOs and across state boundaries to share I&E personnel and resources in the accomplishment of oil and gas I&E goals. Unless otherwise stated or negotiated between offices, the office recruiting help will bear the expenses incurred by sharing inspection resources.

L. COORDINATION

In order to most efficiently utilize and maximize BLM field presence, each resource program will ensure that all field personnel make and report observations in support of other programs with activities in those field areas. An integral part of the oil and gas I&E program includes close coordination with law enforcement specialists in accordance with BLM policy. Coordination shall also take place with applicable tribes and/or the Bureau of Indian Affairs (BIA) regarding the prioritization of inspection cases and information exchanges, with the Forest Service (FS) regarding oil and gas operations on National Forest System lands, with the Department of Defense (DOD) regarding inspections on military lands, and with the Corps of Engineers. To assist in meeting oil and gas I&E goals, the AO should pursue Memorandums of Understanding (MOUs) and/or Cooperative Agreements with State and Tribal entities in accordance with BLM policy.

M. PROGRAM OVERSIGHT

Effective oversight is among the most critical items of a successful oil and gas I&E Program. It is imperative that managers are knowledgeable of the Program and are directly involved in its oversight. Equally important is the necessity for supervisors to monitor the quality of inspection work in both the office and field. Supervisors shall ensure quality checks of all PET work in the field and office at least annually. Another important aspect of program oversight is the review of information entered into AFMSS. The information from field inspections must be reviewed for correction after entry into the system. Reports generated from AFMSS shall also be reviewed by supervisors and managers to ensure consistency and accuracy of data entry. Field inspections conducted by a supervisor for program oversight purposes must be recorded in AFMSS. The Washington and state offices are responsible for conducting I&E related program reviews as specified by BLM policy.

N. ENVIRONMENT

In order to accomplish the BLM's goals of protection of the surface and subsurface environments, all field inspections shall routinely include identification of environmental concerns. An environmental inspection (activity) conducted by a PET along with a drilling, production, or abandonment inspection (type) shall include identification of environmental concerns such as spills and trash problems, improperly used and fenced pits, and inadequate tank battery dikes. It is not necessary to have separate environmental inspections by a PET and a Surface Resource Specialist (SRS)/Natural Resource Specialist (NRS)/Environmental Scientist (EnvS) on low environmental priority cases, but inspections can occur in some cases. However, existing or potential environmental problems noted by the PET should be brought to the attention of the specialist responsible for resolution. An environmental inspection type is required for all cases rated as High for environment.

An environmental inspection (type) is usually conducted by an SRS/NRS/EnvS to ensure compliance with the surface use plan, subsequent approvals, conditions of approval (COAs), lease stipulations, or monitor operations that could or may have resulted in impacts and were the reason for rating the case High for environment. The High priority environmental inspections will normally be done by the SRS/NRS/EnvS, but the AO may use other specialists.

II. OIL AND GAS INSPECTION AND ENFORCEMENT STRATEGY GOALS

A. PRODUCTION INSPECTIONS

All producing Indian and Federal cases rated High to the FOGRMA criteria must be inspected annually. In addition, it is the goal of the BLM to inspect 33 percent of all other Indian and Federal production cases annually as well. Refer to Oil and Gas Inspection and Enforcement (I&E) Strategy Matrices Instructions and Strategy Goal Instructional Memorandum issued each FY for guidance and specific details in establishing inspection priorities and current program goals.

When a case is selected for a Production Inspection (PI), the PET conducting the inspection will determine who purchases/transporters production from the oil and gas production case being inspected. In some instances, there may be multiple purchasers/transporters or it may be the same entity as the operator/producer. In both instances, with either multiple purchasers/transporters or same operator/purchaser entities, a minimum of 25 percent of all wells and facilities where sales occur will be witnessed/inspected, including those on Fee and State leases when agreements are involved. Inspection activities that must be performed include those that ensure that production is being handled properly, measured accurately, reported correctly, and the environment and public are being protected. At a minimum, this requires that all methods of measurement used within the case are witnessed/inspected, including all Fee and State wells and facilities attached to the case. On large cases (greater than 10 wells and 10 facilities) when multiple purchasers are involved, the PET will witness sales on a minimum of three different sales per individual purchaser to ensure a good cross-section of the purchaser/transporter processes for sales. Observations of site security, inspections for environmental and public health and safety concerns, and a review of production records will be conducted. The selection of inspection activities can be as comprehensive as deemed necessary by the PET and can be accomplished with a mix of both field visits and in-office reviews.

If violations or problems are detected during the course of the inspection, steps must be taken to determine the extent of the problem and what corrective actions may be necessary. Additional inspection activities may be needed to determine if problems or violations exist at other facilities and/or wells within the case, including Fee and State leases associated with the case. Analysis may indicate that problems or violations are systemic for that particular operator and may require additional inspections of other cases managed by that operator(s).

The PET conducting the inspection must be satisfied that he/she has performed an adequate sampling of the applicable production activities (measurement, environment, site security, etc.) and ensure that any previously identified violations or problems have been resolved.

The following steps further define the minimum requirements for a PI:

1. If Production is Occurring on the Case:

Measurement, environmental, site security inspection activities, and a partial records review must be performed. The measurement activity(s) must include comparison of the corresponding production record(s) related to the measurement activity. For example, if conducting a Tank Gauging (TG) activity, the PET would independently gauge the tank(s) for comparisons with the Oil and Gas Operations Report (OGOR) inventories or run tickets. In some instances, a single-run ticket will allow FOs to verify reported sales on the OGOR on low-producing cases.

- a. The FOs must inspect an adequate sample size of wells and facilities within a case (includes Fee and State wells and facilities in cases that involve agreements), along with an inspection of each type (oil and gas) of measurement (tank gauge, Lease Automatic Custody Transfer [LACT] meter, orifice meter, etc.). The PET may either witness or independently perform measurement activities to fulfill this requirement.

The sample size is to be determined by the individual conducting the inspection. Factors to consider in determining the sample size are dependent on the number of wells, facilities, measurement equipment, methods, and types. The PET must be satisfied that he/she has performed an adequate number of inspection activities to ensure that the production is being properly handled and accurately measured.

For example, if a case has 10 gas orifice meters, 5 oil sales tank facilities, and 2 LACT meters, the PET must witness or perform an inspection activity on each measurement type and method (gas measurement, oil tank sales, and meter proving), but may not have to witness all 10 gas orifice meter calibrations, 5 oil sales, etc., if problems are not detected during the initial representative sampling and additional activities are not warranted. This is a minimum requirement, and PETs are encouraged to conduct more measurement inspection activities if they feel it is necessary to ensure that oil and gas measurements are accurate. This practice is not unlike the policy previously established in various Instruction Memorandums (IM) that recommended on large cases the representative sampling size be 25 percent of the wells and facilities. Once again, the PET has the latitude and discretion to determine the representative sampling size for each case as long as the production inspection examines each measurement type and activity occurring within the case. The FOs may continue to use the 25 percent representative sampling size, taking care to ensure that the representative sampling of wells and facilities is documented accurately so that a different set of wells and facilities may be inspected in the future. This will also ensure that all wells and facilities within the case (includes Fee and State wells and facilities when case is an agreement) are inspected within a period of 3 years, not to exceed 4 years maximum.

The sample must include inspection activities associated with environmental (SP), public health and safety (HS), site security (SS), and records review (RR) or a production records review (PR). Any RR and PR inspection activities may be performed by either the PET or a Production Accountability Technician (PAT).

The FOs are encouraged to conduct detailed production record reviews, coded as PR activity. Significant amounts of volume discrepancies have been found when conducting the PR inspection activity. Due to the effectiveness of the PR, FOs are encouraged to continue using this inspection activity.

Also, at the discretion of the FO, a complete production records review (coded as PI/PR) may be conducted on Low FOGRMA priority cases (overall priority ranking of Y or Z) without a field visit. High FOGRMA cases must have a field inspection conducted on an annual basis. These PI/PR reviews include verification of “used on lease” and “flared/vented” volumes to ensure the appropriate approval is on file and records review of the oil and natural gas volumes associated with these reported disposition categories.

If a case is subject to a variable royalty rate, the PET must verify if the production subjects the lease to a higher royalty rate. If the production level indicates a higher royalty rate, a sample check of the status of the wells must be made to verify if they are countable wells. If the sample determines that the operator is reporting incorrectly, the sample will need to be enlarged to include additional wells.

2. If Production is Not Occurring on the Case:

Only the RR and the appropriate field inspection activities must be performed (such as site security, coded as PI/SS; well status checks, coded as PI/WS; environmental, coded PI/SP; and, if applicable, public health and safety, coded as PI/HS).

B. RECORDS VERIFICATIONS INSPECTIONS

For cases that are rated High for production and have been inspected for the past 3 years with no measurement problems or volume discrepancies detected, a Records Verification (RV/RR or RV/PR) may be conducted to fulfill FOGRMA requirements at a minimum. However, at a minimum a field inspection must be performed on these high production leases at least once every 3 years, even if no measurement problems or volume discrepancies are detected. In addition, it is the goal of the BLM to inspect 33 percent of all other Indian and Federal production cases annually as well.

C. DRILLING, PLUGGING, WELL PRODUCTION TESTING, CHANGE OF OPERATOR, NEW PRODUCING WELL, and WORKOVER INSPECTIONS

Conduct drilling inspections on all High priority drilling wells. The priority will be determined at the time of Application for Permit to Drill (APD) approval, and inspections will be conducted in accordance with that priority. It is critical that this priority setting is based upon real concerns rather than classifying all drilling as High priority. At a minimum, the activity causing the drilling well to be classified High priority must be witnessed.

Conduct plugging and abandonment inspection on all wells determined to be High priority at the time of approval of the Notice of Intent to Abandon (NIA). This High priority determination must identify which part of the plugging plan is critical, e.g., placing a cement plug across a water zone. Witnessing the other parts of the plan such as placement of stabilizing plugs or surface plugs may not be considered High priority.

High priority drilling and abandonment inspections shall take precedence over production inspections if scheduling conflicts arise. Drilling and plugging inspections are externally driven, while production inspections are controlled internally and can be more easily rescheduled. Ensuring that drilling and plugging operations are in compliance from the outset will minimize potential problems in the long term, particularly with regard to contamination of subsurface resources including fresh water aquifers and surface-related environmental concerns. These operations often occur outside normal work hours. The FOs must ensure that resources are available to conduct these inspections.

Conduct interim inspections of all well production testing operations rated High priority that occur during or after drilling operations but prior to a well being placed in producing well status. Disposition of produced fluids during production test operations is the purpose for these inspections.

Conduct inspections on wells/cases that are considered High priority for production and there is a change of operator during the FY. These inspections do not include mergers or name changes but are to be done on cases where the operator is new to the area or has not operated on Federal or Indian lands in the past.

All new producing wells that come on production during the FY that are associated with High FOGPMA cases are considered High priority for an initial production inspection. In the situation of multiple new wells on a case, the instructions in part A "PRODUCTION INSPECTIONS" on large cases are to be followed.

Conduct inspections of all work-over operations rated High priority. Review and identify any critical operations to be inspected upon approval of the work plan. Inspect those operations deemed to be high priority at the time of approval.

D. ENVIRONMENTAL INSPECTIONS

Conduct all High priority surface inspections on drilling wells and plugged well site locations and environmental inspections annually on all cases rated High priority due to environmental concerns. A well that has completed drilling operations and is in a producing-well status must undergo a High-priority Environmental Interim Inspection for reclamation concerns. Classification of environmental ratings for the estimated drilling and plugging activities, as well as review of the rating for active cases, will be performed each year at the time of matrix preparation to ensure that there is an accurate accounting of environmental inspection workload requirements. High priority environmental inspections are determined if the well/facility meets at least one of the following:

1. The operations on a well/facility are located in or adjacent to an area of special environmental sensitivity¹ such as the following:
 - Designated wilderness areas
 - National Park Service and National Landscape Conservation System units, wilderness study areas
 - Areas of critical environmental concern
 - Sensitive watersheds
 - VRM Class I and II viewshed
 - Riparian areas
 - Floodplains
 - Wetlands
 - Threatened and endangered species habitat
 - Historic landmarks
2. The operations occur in other areas that, if conducted in noncompliance with lease stipulations or Conditions of Approval (COAs) included in the operating plan, could have a significant adverse impact on the environment.
3. The well/facility shows a history of surface and environmental noncompliance.
4. Six months has elapsed after well completion or well abandonment to ensure earthwork for reclamation has been properly completed.
5. The operator has submitted a final abandonment notice (FAN) of an abandoned well.
 - a. Final abandonment will be approved only after the surface reclamation standards, required in the Surface Use Plan of Operations or Subsequent Report of Plug and Abandon, have been met to the satisfaction of the BLM or other Surface Managing Agency, if appropriate.

¹ The prioritization may include, but is not limited to these examples.

- b. The BLM will take into consideration the views of the split-estate surface owner when approving FANs. This consideration will be limited to what was required in the approved Surface Use Plan of Operations or Subsequent Report to Plug and Abandon.
6. The BLM must document the protection of the surface after drilling operations through Interim Reclamation Inspections. After drilling operations have been completed, a majority of the pad location is normally reclaimed (recontoured, recovered with topsoil, reseeded, etc.). It is important to document BLM inspection of the reclaimed area to ensure the environment is protected and the area is being properly revegetated and stabilized.

AFMSS includes an inspection activity code Interim Reclamation (IR), to indicate that the interim reclamation area is being inspected and the area is in compliance with reclamation requirements outlined in the:

- Approved Application for Permit to Drill (APD) Surface Use Plan of Operations,
- Applicable APD Conditions of Approval,
- Inspection items in the Production and Interim Reclamation inspection form, and
- Chapter 6 of The Gold Book: Surface Operating Standards and Guidelines for Oil and Gas Exploration and Development.

The IR Activity should be conducted by an Environmental Specialist. The initial inspection must occur within 6 months after the well is completed. Interim reclamation inspections will then continue as necessary to ensure that interim reclamation is complete. For example, if dirt work and reseeded has taken place, but vegetation is not yet re-established, another inspection would be necessary to ensure the vegetation is established. Once the interim reclamation has been completed and is successful, the well would then be rated as either High or Low based on the criteria for environmental ranking

Criteria 1 and 2 listed above are very broad in nature and could be misinterpreted to indicate all wells/facilities should be rated High. This is not the intent. Discretion should be used to determine the potential of noncompliance and impact along with the specific site conditions, production handling scenarios, and the past compliance history of ongoing activities occurring on the lease before assigning the priority. For example, if mitigation has been successful for threatened and endangered (T&E) species or wetland conditions and the need to inspect the well on a high priority basis does not exist, then the well should not be ranked as High priority.

The FS has the authority and responsibility under regulations based on the Federal Onshore Oil and Gas Leasing Reform Act of 1987 to ensure environmental inspections of FS surface. The FS will conduct environmental inspections (surface environmental concerns) on FS lands. Therefore, offices may rate these wells/facilities as Low priority

under the environmental priority rating for inspection purposes. Refer to the BLM/FS Interagency Agreement or local BLM/FS MOUs for more specific guidance on roles and responsibilities.

The BIA must concur with BLM recommendations to release well sites from further reclamation responsibilities. Once the BLM has notified the BIA and recommended approval of the FAN, the environmental priority may be rated Low.

When offices establish new FY ratings, the FOs should not assume that since the well/facility was rated High under Environment the previous year, the same will hold true for the current year. Site conditions, operator compliance, or lease activities may have changed and, therefore, may warrant a different priority.

As with the technical inspections, the environmental, drilling, and plugging inspections on those wells rated High priority for surface concerns shall take precedence over environmental production inspections (PI-SP).

E. OTHER INSPECTION REQUIREMENTS

Conduct an inspection on all cases rated as High priority for public health and safety, legal, or other standards. The inspection should be conducted to specifically address the reasons the case was rated High for these criteria.

Although not required under strategy goals, FOs should continue to conduct Records Verification (RV) and Undesirable Event (NU) inspection types as time or circumstances warrant. All major spills, fires, accidents, and fatalities must be inspected and reported per Notice to Lessee (NTL) 3A.

F. DOCUMENTATION

All inspections must be documented in accordance with the requirements contained in this Handbook.

III. CREATING INSPECTION AND ENFORCEMENT STRATEGY MATRICES FOR NEW FISCAL YEAR IN AFMSS

When sharing resources are planned the benefitting office will reflect the outside help on their matrix in the "I&E Inspection WMs" and in the "Planned Inspections" sections. The helping office will reflect an equivalent decrease in those sections on their matrix. The helping office will track the "Onboard Personnel" that is being shared on their matrix and not duplicated on the benefitting office.

A. CLOSE OPEN INSPECTIONS, REVIEW AND UPDATE PRIORITY RECORD INSPECTION STATUS CODES

The AFMSS Inspection Summary for Office (IEP .13) report must be run with the Include Open Inspection Only selected for entire current FY (Example: Start Date: 10/01/07, End Date: 9/30/08). Any open inspections must be closed; if more work is needed to complete the inspection, note in the remarks that the case will be opened in the next FY for completion.

The AFMSS I&E Strategy Matrix - Inspection Items (IEP.51) report must be generated and reviewed as the first step in the process of creating a new FY Strategy Matrix. Run the Inspection Items (IEP.51) report for the current FY year and update the Inspection Status Code in the priority record, if necessary, to reflect the need for inspections in the upcoming year (see Item III. A. 6 below for correct status codes). This must be done prior to creating new priority records for the new FY. Do not delete old priority records from the system if they were once valid. These will be left as an historical record in the database.

To review current priority records:

1. Click on Monitoring on the Main Menu for AFMSS.
2. Click on I&E Strategy, launching the I&E Strategy Matrix (IEP.54) screen.
3. Click on the button next to the version box and highlight the most current "official" strategy version; click on QUERY.
4. This will retrieve the Strategy Matrix. Once it is displayed, click on Reports button.
5. Select Inspections Items (IEP.51). Several sort options are available. Make note of the sort option used to run this report. If you sort by Case, Operator, Overall Priority, County, State, or FO, the Inspection Priority Finder screen will allow you to sort the records in the same order.

6. Print the entire Inspections Items report. This report will have to be manually checked to ensure that all the cases requiring inspection are listed. All inspection priority records reflect the correct/current operator, and the Inspection Priority Status code is set to:

H= if it is an active case and an inspection for that case/operator combination is necessary; or

A= if the case/operator wells have all been plugged and we are awaiting surface restoration (environmental inspection still necessary); or

I= if the case no longer needs an inspection priority record for the upcoming FY and is in the system as an historical reference only. This includes all terminated agreements and/or cases that contain only plug and abandon (P+A) wells or case/operator combinations that are no longer valid (operator changes).

The Inspections Item report contains columns that count the number of wells and facilities connected to a priority record. Pay special attention to those case/operator combinations that show zeros for both columns. This may indicate that there has been a change of operator or some other reason that the record should be marked as Inactive or deleted. All valid case/operator combinations should contain information in each one of the columns on the report (with the exception of the Last Insp Dates), and should have at least one well connected to it. If there is no information for a case/operator combination, the record must be updated to Inactive or deleted so it will not result in an erroneous count of inspection items.

Inspection priority records can be established at the time the first well for a case/operator starts drilling. If an operator change occurs on the case, a new priority record must be created for the new operator for the case. The old operator priority record must be updated to "I" in the Inspection Status Code field. Do not use the old operator's compliance rating in the priority record for new operator on the case. New operators of a case start with a clean compliance record.

If you find priority records for cases with only wells in Notice of Staking (NOS), Application for Permit to Drill (APD), Unapproved Notice of Staking (UNOS), Unapproved Application for Permit to Drill (UAPD), Approved Application for Permit to Drill (AAPD), or Reclaimed Location (RLOC) status, you must ask the Local User Support person in your office to delete these.

7. Once the Inspection Items report has been reviewed, update the necessary priority records.

To Update the Inspection Status Code in the Priority Records:

- a. Click on Monitoring from the Main Menu.

- b. Click on Inspections.
- c. When the Inspection List screen (GLB.92) displays, make sure selection default is “by Priority.”
- d. Click on the Priorities button to launch the Inspection Priority List (IEP.69) screen.
- e. To update your priority records, make sure that the Year field shows current FY and the “Exclude Inactive Priorities” option is checked. Click on the Query button. The screen will display all of the cases with current inspection priorities for FY 2009, for example. Click on the Sort button and add the fields to sort in the order you used on the inspection items (IEP.51) report. The display on the screen and the order of the report should now match. NOTE: Depending on the number of cases in your database, it could take a long time to display the results. On larger databases, it is suggested that you fill in one or more of the query fields to limit results. For example, if you sorted the inspection items report (IEP.51) by operator, query the Inspection Priority list (IEP.69) screen for a particular operator and work through the report until all cases for each operator have been reviewed.
- f. On the Inspection Priority List (IEP.69) screen, select up to 200 records at one time. Highlight a group of records and click on the “Edit Insp Priority” button. The Inspection Priority (IEP.46) screen will be launched. Update those records that need the Inspection Status Code changed. Use the Next and Previous buttons to move among the records that need updating.
- g. REMEMBER TO SAVE each priority record before going on to the next.
- h. Exit to the Main Menu when finished updating the records.

B. RUN THE PRIORITY ROLLOVER

The Inspection Priority Rollover (IEP.68) is a function that allows AFMSS to create an upcoming FY Inspection Priority Record for use in building the annual Inspection Plan Matrix. The rollover function is to be performed once per year just prior to creating the matrix for the upcoming FY. The rollover process will create a new priority record for all active case/operator combinations that have a current year priority record if the Inspection Priority Status Code is not equal to “I” for inactive.

During the rollover process, the following prioritization categories will be recalculated based on BLM production volume and noncompliance threshold criteria:

- Operator compliance history
- Average monthly production
- Environmental rating
- Overall priority ratings

If threshold criteria are met, the category will be rated High priority and the overall rating will be adjusted accordingly. It is imperative that each office review and update its Inspection Priority Status codes for the current priority year prior to running the Priority Rollover function for the upcoming priority year to ensure that an accurate rollover occurs.

It is also critical that each office review each priority record to ensure that the rollover function has correctly calculated the average monthly production for oil and gas. Previous problems with the OGOR data have occurred in AFMSS, so each office must verify that the calculations are correct to determine the correct overall priority. If needed, the average production volumes and overall priority may be manually adjusted on the new FY records after the rollover is performed but must be done before the matrix is created.

NOTE: You must make any revisions or updates in the current year priority record before running the priority rollover. Do not run the rollover, update the new year priority records, and then run the rollover a second time. It will overwrite any updates you have made in the new records. Update the current year priority records, and then run the rollover. Any further updates must be made manually to the new year priority records after the rollover has been performed.

It is REQUIRED that each office conduct a “Dry Run” of the Inspection Priority Rollover Report before performing the actual rollover. This function can only be performed by individuals who have security clearance for this screen. From the AFMSS Main Menu, click on the User Support selection at the top of the screen:

Select Priority Rollover IEP.68 from the cascading menu to access the launcher screen.

1. An option to conduct a “Dry Run” of the rollover function is available by clicking in the box to mark it with an X. Conducting a dry run allows you to perform the rollover option without actually committing changes to the database. The output default is set to “Print Rollover Detail Report and Log File.” It is REQUIRED to use this default. Review this printout to see if records require editing before performing the actual rollover. With the Dry Run option selected, click on the “Run Priority Rollover” button.
2. The launcher screen (IEP.68) also displays a “rollover from FY” and a “rollover to FY” area. When the rollover is performed for the first time, make sure the default

shows rollover from FY (current FY) to FY (next FY) for the FY to the next FY priority records to be created.

3. If the display shows the new/current FY to the new/current FY, change the first box to previous FY (example: FY 2008 to FY 2009). Click “Yes” when the system asks if you want to overwrite the current new FY records. (This should only occur if the rollover function is being performed after October 1. Normally at the beginning of the new FY, the system automatically creates a new priority record for all producing cases. It simply copies the record from the previous FY. The system does this for several reasons. One important reason is that it allows inspection personnel to document production inspection activities on active cases during the new FY, even though the rollover procedure has not been performed.)
4. The Detailed Report and Log File will print a listing of the rules AFMSS uses in running the priority rollover, the summary information, and a report listing each priority record for “current” FY versus “next” FY. This report includes a description of the number of environmental and FOGRMA violations the system counted for use in calculating the ratings for the “next” FY priority records. For the “Dry Run” option, this report will indicate that this is a “Dry Run Only - Database Not Updated.”

The report can be very long if you have a large database since the report will show four lines of data for each inspection priority record rolled over to the new FY. Keep this in mind prior to printing a hard copy of the report. The “Dry Run” may be performed as many times as you like. This process does not make changes to the data base.

AFTER reviewing the Dry Run, and when you are confident that all records are correct, you are ready to perform the actual Inspection Priority Rollover. Follow the instructions listed above; however, to perform the actual rollover, make sure the toggle button next to the Dry Run option is not checked, then click on the Run Priority Rollover button to create the “next” FY inspection priority records. Another report will be generated that shows the priorities as they were actually created.

Review the report again to ensure that the rollover was performed correctly for all inspection items. If needed, update any of the new year priority records that did not carry over correctly before creating a new version of the matrix.

C. CREATE A NEW VERSION OF THE MATRICES FOR THE UPCOMING FY

1. After the actual Priority Rollover function has been performed and you have reviewed all records for accuracy (and made any necessary adjustments), you are ready to create a Strategy Matrix for the new FY. From AFMSS Main Menu, click Monitoring.
2. Click on I&E Strategy from the cascading menu.

3. The I&E Strategy Matrix - Inspection Items (IEP.54) screen will be displayed.
4. If the record appears with the current year's data populated, you will have to exit from AFMSS and come back in. The matrix screen should be blank when creating a new matrix. Enter the new FY in the Fiscal Year box located on the first row of IEP.54.
5. Click into the box to the right of the word Version. Enter the name of the new matrix that you are creating (for example, FY 2007 Vernal Field Office). Next, there is a box next to the Version. Click on the arrow button to select either "Working" or "Official." This allows you to designate the type of matrix you are creating. Create a "Working" copy so you can edit the Matrix until you are sure it is accurate.
6. Count the Producing Inspection Items:

- a. From the Main Menu, click on Monitoring and I&E Strategy.
- b. Click on the Recount FOGRMA Items button located on the far right side of the first row of buttons. A message will appear informing you that this procedure could take a long time and asks if you want to continue. Click the Yes button.

The system will count the number of producing and non-producing inspection items by Overall Priority that will be used in calculating the number of required production inspections. This does not include inspection items with a case status of Abandoned (A).

The Inspection Items fields will populate once the count is completed. Review the total number of inspection items once the fields have auto-populated. **NOTE:** The number of items displayed will not equal the amount of cases listed on the IEP.51 report since the recount does not include those cases with an abandoned status.

7. Enter the Estimated Number of Inspections:

When sharing resources are planned the benefitting office will reflect the number of increased inspections planned from the increase in capability. The helping office will reflect a decreased inspections planned due to the decrease in capability.

- a. Enter the number of estimated Federal and Indian High and Low priority Drilling Inspections to be conducted during the FY. Click on the box to activate it prior to entering information or tabbing from field to field.
- b. Enter the number of estimated Federal and Indian High and Low priority Plugging Inspections in the appropriate boxes.

- c. Enter the number of estimated Federal and Indian High and Low priority Workover Inspections in the appropriate boxes.
 - d. Enter the number of Federal and Indian High and Low priority Environmental Drilling Inspections. (This number should total the same as the number of Drilling Inspections that are estimated for the year.)
 - e. Enter the number of Federal and Indian High and Low priority Environmental Producing Inspections. Environmental Producing Inspections should be planned on a well basis. High priority must include all wells requiring an Interim Reclamation (IR) inspection along with all other wells classified as environmental high.
 - f. Enter the number of Federal and Indian High and Low priority Environmental Abandonment/Reclamation Inspections to be conducted during the FY.
 - g. **SAVE THE RECORD.** Make sure the message box in the lower left corner of the screen states that the table was updated.
8. Enter the Positions and Workmonths Information for your office:
- a. Click on the Positions/Workmonths button. This will display IEP.55.
 - b. Enter position and workmonth information based on your FO personnel that work in the program. To ensure proper accounting of the workmonths needed for the program, a base of 12 workmonths must be used for each FTE. Utilizing AFMSS data, enter the number of workmonths that are expected to be devoted to completing inspections in the "I&E Inspection Workmonths" column. The remaining workmonths are accounted for in the "Misc. Workmonths" column. (NOTE: Two of the 12 workmonths for each FTE are automatically placed in the miscellaneous column to account for annual and sick leave, 0999 account.) Account for the overtime workmonths in the "Overtime Workmonths" column. When querying AFMSS, be sure to deduct the overtime workmonths when determining your inspection workmonths. Time worked outside the I&E program, such as range or fire, will not be accounted for in the inspection plan matrix. Oversight time shall be accounted for under Management Support, and specific details regarding oversight workmonths planned may be further documented under the Special Considerations section of the matrices.

When sharing resources are planned, the benefitting office will reflect the increased workmonths but not an increase in onboard personnel. The helping office will reflect an equivalent decrease in workmonths and continue to show all onboard personnel.
 - c. **SAVE THE RECORD.** Look for the table update message in the message box.

- d. Press the Exit button to return to IEP.54.
9. Ensure Percentage of Other Production Inspections Required is Correct:
 - a. Click on the Calculations button. This displays the Truly Strange Required Inspection Calculator (IEP.56) window. This window displays information entered on IEP.54 and allows the user to change the percentage of Other producing inspection items to be accomplished. The defaults for “Federal and Indian IIDs” will be set to 33.33 percent. **SAVE THE RECORD.**
 - b. Press Exit to return to IEP.54.
 10. Enter the number of Planned Inspections:
 - a. Click on the Inspection Types button. This displays page 2 of the matrix (IEP.58). The window contains a listing of all inspection types, average hours to conduct each inspection type, the number of required and planned inspections, and workmonths necessary to conduct the inspections. The average inspection hours and the required number of inspections by inspection type auto-populate this screen when it is displayed.
 - b. If your office needs to adjust the average inspection hours, click on the Insp Hrs button. This brings up a window with an entry box for each inspection type. Click the Save button. Once you make the necessary changes and save, click the Exit button and the system will update the average inspection hours displayed on IEP.58. It will take a few moments to complete this procedure. The system is also calculating new workmonth figures. (NOTE: You may want to run the Inspection Summary for Office (IEP.13) report using the previous FY dates to validate the average inspection hours. To generate this report, select Reports from the main menu, click on I&E Reports, then select IEP.13. Enter the start and end date range that will give you an entire year’s worth of inspection data (for example, 10/01/2005, 09/30/2006 for FY 2006 information). Make sure to select Inspection Details in Total for All Closed Inspections for the report. Click on print and the report will generate. The last page of the report summarizes the average hours and number of inspections by type.)
 - c. Once IEP.58 displays the new average inspection hours, **SAVE THE RECORD** before continuing on to input the number of planned inspections.
 - d. Enter the number of Federal and Indian Planned inspections for the FY in the appropriate columns. The number of planned inspections must be based on available workmonths indicated in the IEP.55 Positions/Workmonths window. To enter information, you may tab from field to field, or use the mouse to click on the desired area you want to enter information. If you do not use the Tab key, the system will not generate workmonth information until the record is saved. If you

want to see the workmonths displayed after entering the number of inspections, be sure to use the Tab key at that point.

e. SAVE THE RECORD.

11. Review the Required versus Planned Inspections:

- a. Click the Required/Planned button to review required versus planned inspections. Once again, verify the number of available workmonths against what you have planned to ensure that you have not planned more inspections than you have workmonths to accomplish. To see available workmonths, click on the Positions/Workmonths button and look at the total inspection workmonths available. Press Exit to return to the Required/Planned window.
- b. To amend planned inspections from the Required/Planned (IEP.57) window, click the Exit button. This closes IEP.57 and displays the previously opened window (IEP.58). Make the necessary changes and SAVE the record. Click on Exit to return to IEP.54.

12. Add Remarks or Special Considerations to the Matrices:

To add Remarks or Special Considerations, click the Remarks button. Enter information as applicable. Do not forget to document the position and workmonth availability descriptions, if necessary, any additional idle/orphan-well workload adjustments made to the strategy, and the number or production records reviews that your office plans on conducting in the upcoming FY. SAVE the record. Click the Exit button.

Note: You may revise the “Working” version of your matrix until you are confident that the matrix is complete. Change the box from “Working” to “Official” to indicate that this is the matrix to be used for this FY.

13. Print the Matrices:

Print the Matrix Summary Report by clicking the Reports button. Select IEP.50 Inspection Matrix Summary. This brings up a preview of the report.

Exit the open windows by clicking the Exit button on each window and return to AFMSS Main Menu.

IV. INSPECTION DOCUMENTATION REQUIREMENTS AND DEFINITIONS

A. REASONS FOR DOCUMENTATION

Documentation gathered during an inspection must be, without exception, incorporated into the official hard copy BLM files. This information is often used in management control reviews, alternative management control reviews, technical procedural reviews, Office of Inspector General and Government Accountability Office reviews, as well as congressional committee inquiries, State Director Reviews, and court cases. The official BLM files are reviewed by these groups to verify if the operators, the BLM, and inspection personnel are meeting the requirements established by law, regulations, and orders. It is critical to the inspection personnel, the BLM, and other involved parties that clear, concise, and accurate inspection documentation be developed and maintained in the official records. Without clear and accurate documentation of existing conditions and activities, enforcement actions cannot be taken or decisions upheld if appealed by the operator. Hard copy inspection documentation is considered the official BLM record. Automated inspection documentation is a supplement to the hard copy files but is also required. Enforcement action and program decisions will be based upon information contained in the official hard copy files.

Precise and clear inspection documentation allows anyone reviewing the file to verify the type of inspection conducted, the specific operational activities conducted or witnessed, when the activities were conducted, what actions were taken by the inspection personnel to ensure operations were conducted as required, and what types of problems and results were observed. Inspection documentation must be concise and not contain materials that are not pertinent to verify inspection activities and results. A brief summary of the inspection activities and results must be included in the hard copy files and AFMSS. Handwritten notes created by inspection personnel must be included in the hard copy files and summarized in AFMSS. These may include, but are not limited to, violations or problems detected that may reoccur, resolution of problems, volume discrepancies, installation of new equipment such as a LACT, gas meter, or tank(s), Blowout Preventer Equipment (BOPE) failures, and placement of plugs.

B. REQUIRED INSPECTION FORMS

The following inspection forms are mandatory for completion, as applicable to the inspection type, and must be maintained in the historic inspection file:

3160-10 *Inspection Record - Drilling* (October 2003, or AFMSS form)

3160-11 *Inspection Record - Production* (December 7, 2002, or AFMSS form)

3160-13 *Inspection Record - Abandonment* (October 2003, or AFMSS form)

3160-27 *Inspection Record – Environmental* (January 31, 2006, or AFMSS form - Well Surface or Facility Surface)

3160-15 *Measurement Record - Gas* (December 2003)

3160-16 *Measurement Record - Oil By Tank Gauging or Alt. Method* (December 2003)

3160-17 Measurement Record - Oil by LACT Meter (December 2003)
Drilling/Construction Inspection - Environmental (August 2007)
Production & Interim Reclamation Inspection/Monitoring - Environmental (August 2007)
Final Reclamation Inspection/Monitoring - Environmental (August 2007)

Forms 3160-10, -11, and -13 are required to be completed. Forms 3160-15, -16, and -17 are to be used as applicable, when conducting independent inspection measurement activities or when witnessing product sales, calibrations, or a meter proving. These forms ensure that all areas of the operations are inspected for compliance in our efforts to verify production accountability. Forms must be filled out completely. If a specific item does not apply to the inspection, enter "N/A" in the inspected column. If an N/A column exists, place a check in that column.

The AFMSS form (Form 3160-27, *Well Surface or Facility Surface*) for environmental inspections must be used by the Environmental Specialist when these inspections are conducted.

The documentation of all inspections must be clear, concise, and legible and provide an accurate description of what was inspected, including the findings. The following lists specific items to be documented when performing an inspection:

1. The type of inspection performed.
2. Activities that were performed or witnessed (e.g., tank gauging, meter calibrations, etc.).
3. Who witnessed the activity (including the person representing the company (Tool Pusher, service company representative, etc.)).
4. Specific times and dates when critical activities were witnessed.
5. Problems encountered during the inspection process and how they were resolved.
6. Deviations from the approved plan and reasons for the changes.
7. Telephone or personal conversations or verbal requests critical to the operation or inspection where agreements or decisions were made.
8. The results of the inspection or operation witnessed.
9. Any violations or problems (potential future violations) identified and Written Orders, Shut Down Notices, Verbal Warnings, or Incidents of Noncompliance (INCs) issued.
10. Other information pertinent to the inspection.
11. Worksheets or checklists developed by offices or other sources used to document inspection results.
12. Personal notes; independent calculations performed to verify drilling and abandonment cement, spacer, and displacement volumes; and oil or gas volumes documented in the official hard copy file. The purpose of these calculations is to verify to the inspection personnel, as well as anyone reviewing the file, that independent confirmation of volumes was performed.

13. Job logs, service company reports, or any other information available either from the operator or its contractors requested, if applicable, to documenting operations witnessed. These documents should be requested from the operator, not the service company.
14. Photographs taken to document violations containing a brief, accurate description of what was photographed, including the location, as well as the date and time of the photo.
15. Telephone conversations relating to an inspection documented in one of several different ways. It must contain a description of what was discussed, who was contacted (name, position, and company name), and the time and date of the contact.
16. A summary of the results of the inspection, any problems encountered and resolved, and all other pertinent information including notes that may aid future inspections included in both the hard copy file and the AFMSS database. Document only facts, not unverified assumptions or personal opinions.

Example of a typical PI Inspection Summary:

“PI inspection activities were conducted <time and date(s)>. Identified seal violations during a <inspection activity>. INC #(s), were issued <if corrected, state date>. <Indicate the gravity of any violations – major or minor>. No environmental or health and safety issues identified (if issues found, summarize the issue and action taken). Witnessed meter calibrations and oil sales, production measurement and handling operations, no problems found (if problems were found, summarize the issue and actions taken). Records review of production information from <timeframe> indicates accurate reporting of production and no reporting discrepancies. Average OGOR production of xxx MCF/BO agrees with field calculated/source document volume of xxx MCF/BO.” (If discrepancies were discovered and a PR activity was conducted, state the timeframe and results of activity, along with volumes gained, lost, and/or recovered).

Examples of notes to help future inspection personnel could include:

“Another inspection will be conducted on seal violations in a few months since this appears to be a reoccurring problem with the operator”; or add helpful hints such as “operator mentioned plans of adding additional tanks and separation equipment to facility, will re-inspect, and verify a new facility diagram when completed”; or “the combination to the locked gate across private land is xx-xx-xx.”

C. RETENTION OF INSPECTION DATA – RECORD MAINTENANCE REGULATIONS

The BLM Records Schedule contains specific requirements for maintaining records. Premature destruction of these records carries a fine of \$2,000 and/or 2 years in prison. However, the schedule does not specifically address forms or information that is obtained or generated during an inspection. The intent is to maintain a sufficient amount of data to

support the inspection. The following procedures must be adhered to for the maintenance of records:

1. All inspection forms used to document inspections (Forms 3160-10, -11, -13, -15, -16, and -17, including the *Environmental Inspection* form (Form 3160-27); *Notice of Incidents of Noncompliance* form (Form 3160-9); *Notice of Written Order* form (Form 3160-18) or letter; and *Notice to Shut Down Operation* form (Form 3160-12) must be maintained in conformance with the BLM's Disposition Authority (refer to BLM Manual, Section 1220) Schedule 4, Item 27.
2. Inspection data gathered or documented on Indian cases must be retained and disposed of in accordance with the BLM's Disposition Authority identified in item 1 above, as well as any new policy developed by the BLM as a result of ongoing litigation. Always check with the Records Management Specialist on the proper disposition of Indian-related documents.
3. All inspection data gathered or documented on Federal cases must also be retained and disposed of in accordance with the BLM's Disposition Authority identified in item 1 above, as well as any new policy developed by the BLM. Always check with the Records Management Specialist on the proper disposition of inspection records.

D. PRODUCTION INSPECTION (PI)

Only **ONE** PI inspection type is recorded per case/operator per FY. Hard copy documentation of the PI inspection must include the Form 3160-11 and additional measurement forms as applicable and other supplemental documentation as outlined in B above. If several trips were made to conduct the PI, the inspection personnel will adjust the entries for 'Inspection Activities', 'Open' and 'Close' Dates, 'Office', 'Travel', and 'Inspection' Times, and Number of 'Trips' accordingly. Subsequent PI(s) may be conducted if requested by MMS, BIA, or a Tribe. If a subsequent PI is requested during the same FY the existing PI entries for 'Inspector' Inspection Activities', 'Close' Dates, 'Office', 'Travel', and 'Inspection' Times, and Number of 'Trips' must be adjusted accordingly

Extreme care must be exercised when coding 'Office', 'Travel', and 'Inspection' times so that the cumulative time recorded for any day worked DOES NOT exceed what was actually worked. Example: 4 cases involving 10 wells inspected on 4/1/2008, inspector coded 8 hours on Time and Attendance. DO NOT code more than 8 hours into AFMSS for 4/1/2008.

1. Documenting Production Inspection Activities in AFMSS

Non-measurement activities are documented once per PI and associated to all wells/facilities for the Inspection 'Activity'. Edit the 'Open' and 'Close' Dates, the associated wells/facilities, and 'Office', 'Travel', and 'Inspections' Times

appropriately. Do not create a separate Inspection ‘Activity’ code for every well or facility that receives a non-measurement activity on different trips under a PI. (Activity codes: HS, RR, RD, PR, SP, SS, WS. See Appendix 1 “Inspection Type and Activity Codes” for code definitions.) See below for guidance on entering activities for ‘Multiple Inspection Personnel.’

Measurement activities are documented once per PI unless a volume discrepancy is discovered. Document one Inspection ‘Activity’ code for measurement activities and indicate the number conducted in the corresponding ‘Count’ field in AFMSS. For example, enter one TG Inspection ‘Activity’ code instead of entering 10 separate tank gauge activity lines. Then select the ‘Wells/Facilities’ tab and select the applicable wells/facilities associated with the activity. The ‘Count’ field will auto-populate with the number of wells/facilities. At least one well/facility must be selected for each Activity Code. Measurement activities conducted by different inspection personnel on large cases or jointly would be accounted for separately. (See further guidance below for entering activities with multiple inspection personnel. Activity Codes: TG, MC, MP, LV, CV, TV, TR, T. See Appendix 1 “Inspection Type and Activity Codes” for code definitions.)

Volume discrepancies may be discovered during the PI. If a measurement activity results in a volume discrepancy determination, the activity must be documented separately and associated to the applicable facility or well as selected in the ‘Well/Facility’ tab. Record specific remarks to each volume discrepancy discovered.

Existing Activity Lines must be updated to reflect the total count of measurement activities whenever inspection personnel conduct additional measurement activities on a case/operator throughout the year on a PI. Do not enter separate activity lines to account for different trips. For example, if inspection personnel conducted 5-meter calibrations (MC) for a PI, and later in the FY they conduct an additional 5-meter calibration inspection activities, the MC Inspection ‘Activity’ code is entered once and the ‘Count’ field, Activity ‘Close’ Date, ‘Office’, ‘Travel’, and ‘Inspections’ Times, and Number of ‘Trips’ are updated accordingly.

Multiple inspection personnel who conduct separate activities on the same case/operator to complete the PI should record their Inspection Activities on separate activity lines in AFMSS. If a supervisor or State I&E Coordinator conducts an oversight inspection while accompanying inspection personnel, the supervisor codes the inspection as an Oversight (OV) Inspection Type with the appropriate Inspection Activity code(s).

Production Records Review (PI/PR) may be included in the PI. If a complete production records review is conducted by inspection personnel, enter the Inspection Activity code of PR only once per PI (PI/PR). Enter the ‘Inspector’ Name, appropriate ‘Open’ and ‘Close’ Dates, and total ‘Office’ hours for this activity. The

PI/PR activity may be opened before the first field visit and closed when all paperwork review is complete.

If the Production Accountability Technician (PAT) conducts a production records review in conjunction with the PET performing fieldwork, enter the PI/PR with the PAT name in the 'Inspector' field. The PAT may initiate the PI and enter the PR activity before the PET begins the fieldwork. The PAT will initiate the PI and enter the 'Open' Date the PR activity is started by the PAT. The PET must take care to enter field activities in the same PI that has been started by the PAT. It is critical that duplicate PIs are not created for the same case/operator during the FY. For those case/operators where only a PR activity is planned, without conducting any field inspection activities, the PET or PAT may Open and Close the PI as appropriate. These inspections must be in accordance with the strategy requirements for Low FOGRMA criterion.

Records Reviews (PI/RR) that are conducted as part of an ongoing Production Inspection must be coded as PI/RR with the appropriate name listed in the 'Inspector' field. Enter one RR Inspection Activity per case/operator. If the RR Inspection Activity results in a full Production Records Review (PR), change the RR Inspection Activity in AFMSS to a PR and continue editing the 'Office' Time spent conducting the activity.

E. DRILLING, ABANDONMENT, AND WORKOVER INSPECTIONS

Drilling, Abandonment, and Workover Inspections must be recorded by well to ensure an accurate inspection count. For example, if a Drilling Inspection is conducted on 50 wells for the same case/operator, 50 Drilling Inspections (DW) will be entered into AFMSS, and 50 Drilling Inspection forms (Form 3160-10) will be completed and filed. The same applies to the Abandonment and Workover Inspections.

Documenting Drilling (DW), Abandonment (PD), and Workover (WK) Inspection Activities, Inspection Activities for Drilling, Abandonment, and Workover Inspections must be entered once instead of creating numerous entries of the same Inspection Activity (unless conducted by different inspection personnel). For example, if over the course of several months three Health and Safety Inspection Activities are conducted on the same drilling well, instead of creating three separate HS Activity codes edit the first 'Activity' code created and adjust the 'Office', 'Travel', and 'Inspection' Times, 'Open' and 'Close' Dates and Number of 'Trips' accordingly. The 'Open' Date for the activity would be the first date that the activity was conducted and the 'Close' Date would be the last date that an HS inspection activity was conducted. The total time spent on that Inspection Activity would be reflected in the appropriate 'Office', 'Travel', and 'Inspection' Time fields.

If more than one inspector conducts an Inspection Activity on the well, the activities conducted would be recorded on separate activity lines under one Inspection Type.

F. ENVIRONMENTAL INSPECTIONS (ES)

Environmental Inspections occur throughout the life cycle of a well or facility. All surface inspections of wells must be documented by well. For Surface Inspection Activities conducted on producing oil and gas operations (SP-surface production), the inspections may be recorded on a well or facility basis. If eight Surface Production Inspections are conducted on eight wells on the same case/operator during the FY, eight Surface Production Inspection Types are recorded (each associated to the well being inspected). If eight Surface Production Inspections are conducted on eight facilities on the same case/operator during the FY, eight Surface Production Inspection Types are recorded (each associated to the facility being inspected).

NOTE: When documenting Environmental Surface Inspections in AFMSS, if the ES Inspection is by well, then 'Well Surface' must be used. If the ES Inspection is conducted on a facility, then 'Facility Surface' must be used. Do not combine wells and facilities on the same ES Inspection.

G. SURFACE DRILLING (ES/SD) AND CONSTRUCTION (ES/SC) ACTIVITIES

These inspections are documented on a well basis. If nine Surface Drilling Inspections are conducted on nine wells on the same case/operator during the FY, nine surface Drilling Inspection Types are recorded (each associated to the well being inspected). This also applies to the ES/SC (Surface Construction - prior to spud) inspections.

H. SURFACE ABANDONMENT (ES/SA) ACTIVITIES

These inspections are documented on a well basis. If six Surface Abandonment/Reclamation Inspections are conducted on six wells on the same case/operator case during the FY, six Surface Abandonment/Reclamation Inspection Types are also recorded (each associated to the well being inspected).

I. SURFACE INTERIM RECLAMATION (ES/IR) ACTIVITIES

Beginning in FY 2006, the BLM required documentation for the protection of the surface after drilling operations. After drilling operations have been completed, a portion of the pad location is normally reclaimed (reseeded, recontoured, etc.). It is important to document inspections of the reclaimed area to ensure the environment is protected and the area is being properly revegetated. These inspections are documented on a well basis. Interim reclamation inspections should then continue as necessary to ensure that interim reclamation is complete. For example, if dirt work and reseeded has taken place, but

vegetation is not yet re-established, another inspection would be necessary to ensure the vegetation is established. Once the Environmental Specialist is satisfied that the interim reclamation has been completed and is successful, the well would then be rated as either high or low based on the criteria for environmental ranking. The Environmental Specialist should determine acreage reclaimed and document that in the remarks of the initial inspection on the hard copy inspection sheet as well as in AFMSS. If five Interim Reclamation Inspections are conducted on five wells on the same case/operator during the FY, five Interim Reclamation Inspection Types are recorded (each associated to the well being inspected).

Example of coding these inspections:

The Inspection Type of ES is used with an Inspection Activity code of SP (Surface Production) for the general surface review. The IR Inspection Activity code will also be recorded to indicate the Interim Reclamation portion of the location was inspected as well (ES/SP, IR).

J. RECORDS VERIFICATION INSPECTIONS (RV)

An RV Inspection Type consists of an inspection of one specific type of production record (for example, run ticket, meter calibration report, well test report, meter proving report, etc.) that is not part of an Inspection Activity conducted during the course of a production inspection.

An RV Inspection Type is recorded once for each type of record reviewed on a case/operator each FY. If a production records review (PR) Inspection Activity (a review of all operator production records) is conducted, do not record it under the RV inspection. Record one RV Inspection Type with the appropriate Inspection Activity conducted. See the Valid Inspection Type/Activity Code Cross Reference Table, Appendix 1 "Inspection Type and Activity Codes."

The RV Inspection Type is only used when one type of production or measurement-related document is reviewed to ensure that the document is filled out properly and the calculations are correct. This document is not reviewed during the course of a field-witnessed measurement activity.

A review of the Minerals Management Service (MMS) Form 4054, the *Oil and Gas Operations Report* (OGOR) not associated with a PI may be recorded as a Records Verification/Records Review (RV/RR) Inspection.

K. MULTIPLE WELL COMPLETIONS

Inspection information on wells with multiple completions (for example, D1, D2, or T1, T2, T3, etc.) that are committed to different case/operator combinations, will be recorded in AFMSS for each case/operator. See Appendix 2 “MMS Appendix G” for details.

L. INSPECTION OPEN AND CLOSE DATES

The ‘Open’ Date of an inspection must be the date that initial work was started on the inspection. This can be when paperwork is initiated as part of the records review, or it can be the first trip to the field to conduct an Inspection Activity. The ‘Close’ Date for the inspection must be the last ‘Close’ Date of all of the Inspection Activities recorded. By clicking the ‘Close’ button on the AFMSS inspection screen(s), the ‘Close’ Date will populate with the last Inspection Activity ‘Close’ Date of all of the Inspection Activities recorded. The ‘Open’ and ‘Close’ Dates may be edited as needed, due to additional Inspection Activities or Enforcement Action follow-up.

Inspections are not to remain open while Enforcement Actions are pending. Enforcement Action dates (follow-up, extensions, etc.) are to be entered in the individual Incident of Noncompliance (INC) (IEP.43) screen. The amount of time spent conducting follow-up(s) inspections must be added to the ‘Office’, ‘Travel’, and/or ‘Inspection’ Time(s) for the original Inspection Activity where the violation occurred.

If a volume discrepancy is discovered during the inspection, the ‘Close’ Date for the Inspection and/or Inspection Activity should be the date the discrepancy is resolved with the operator, OR the date the MMS has been notified that amended reports from the operator are necessary. Once the MMS has been notified, the discrepancy is considered resolved by the BLM.

M. WELLS AND/OR FACILITIES INSPECTED

When recording inspection information in AFMSS, the well(s) and/or facility(s) inspected must be selected. For each Inspection Activity performed, select the appropriate wells and/or facilities on the ‘Wells and Facilities’ tab of the Inspection screen(s).

N. OFFICE, TRAVEL, AND INSPECTION TIME

It is critical that the amount of time it takes to complete an inspection is accurately recorded. This information is used to plan the workload requirements and determine the number of personnel needed to complete quality inspections. Inspection time must be tracked by each Inspection Activity. The inspection times are to be recorded to the

nearest one-tenth (1/10) of an hour. For example, if an Inspection Activity took 5 minutes of office time to complete, the time will be recorded as 0.1 hours for the activity.

Extreme care must be exercised when coding Office, Travel, and Inspection times so that the cumulative time recorded for any day worked DOES NOT exceed what was actually worked. Example: 4 cases involving 10 wells inspected on 4/1/2008, inspector coded 8 hours on Time and Attendance. DO NOT code more than 8 hours into AFMSS for 4/1/2008.

V. AFMSS DATA ENTRY REQUIREMENTS BY INSPECTION SCREENS

The following are the requirements for correctly entering oil and gas inspection information into AFMSS. The information is categorized by inspection related-topics and provides detailed data entry requirements by data field. See *NIAFMSS V3 User Guide Feb 1 2007* and *NIAFMSS Handheld User Guide* for details.

A. ESTABLISHING INSPECTION PRIORITY RECORDS

A priority record can be created as soon as an inspection is required (usually during pad construction or drilling operations). Although drilling, abandonment, and environmental inspections can be entered without establishing an inspection priority record, all case/operators must have a current fiscal year priority record before the system will allow entry of production inspection information. Priority records are associated to a specific case and operator. The case/operator combination constitutes an inspection item.

1. Inspection Priority (IEP.46) Screen Data Entry Requirements:

Case No: Required entry when adding a new inspection priority record; system edit.

Type: System-generated display field. This field will populate with the 'Case Type' for the case number.

Operator: Required entry when adding a new inspection priority record; system edit.

Year: System-generated display field. May be edited if necessary.

Rank: Optional entry field. Each office may determine a priority order that inspections are conducted if desired, or leave the field blank.

Frequency: Select the appropriate frequency for the inspection item:

A = Annually

B = Every Other Year

C = Every Three Years

The codes for all priority ratings for **Prod**, **Env**, **H&S**, **Legal**, **Other**, and **Oper** are **H**=High and **L**=Low. The default settings for these ratings are all **L**=Low and must be reviewed and edited as necessary for the case/operator. The exception is the rating for **Oper** which defaults to blank. This rating must be edited for this case/operator combination.

Overall Priority: Required entry. The overall priority codes are as follows:

- W = **FOGRMA** High and **Other** High
- X = **FOGRMA** High and **Other** Low
- Y = **FOGRMA** Low and **Other** High
- Z = **FOGRMA** Low and **Other** Low

Note: **FOGRMA** represents the production and/or operator compliance priorities. **Other** represents environmental, health and safety, legal, and other priorities. A case/operator is rated FOGRMA High if the average monthly oil or gas production is significant as determined by annual Washington Office Instruction Memorandum. Operator compliance is rated as High if the operator had a noncompliance history of two major violations or a total of six FOGRMA-related violations within the preceding 24-month period.

Status: Required entry. The inspection priority status code for the priority record reflects the need for an inspection. 'Inspection Priority Status' codes are:

- H** = active case/operator and an inspection is necessary. (For case/operator combinations that are inspected on a 3-year rotation, it is necessary to record the status as **H** for each FY, even if the case/operator will not be inspected in a particular FY.)
- A** = case/operator wells have all been plugged and awaiting surface restoration (environmental inspection still necessary).
- I** = case/operator no longer needs an inspection but is maintained for historical purposes. It is only necessary to record an inactive case/operator record for one FY. (This includes all terminated agreements regardless of well status and/or cases that contain only P+A wells.)

Monthly Average Oil and Gas: Required entry. System-generated at the beginning of each FY. For new case/operator, enter the average oil and gas production amounts using information contained in the Oil & Gas Operations Report (OGOR) Production Averages Report if available. At the beginning of each FY, a priority rollover function is performed to establish priority records for the coming year. The system automatically calculates and populates these fields based on information contained in OGORs.

Remarks: Optional for Low priority, Required for High priority ratings. Enter remarks related to the 'Other' priority, or remarks pertinent to the case. If a case is rated High priority for environmental concerns, or for other rating categories, identify the reason for the High priority rating in the remarks field.

Hazard: Required entry. The default is set to “N” for no existing hazard on the location. If Hydrogen Sulfide (H₂S) is present, the hazard code must be set to “Y” to notify the inspection personnel of the potential for hazardous conditions on location.

B. CASE STATUS VERSUS INSPECTION STATUS CODES

‘Case Status’ codes and ‘Inspection Priority Status’ codes are often confused due to the similarities in code designation. However, their use is for different purposes as described below:

1. Case Status Codes:

This code is used in the Case (Lease/Agreement) information in AFMSS to identify the current status of the overall Case. Valid codes are as follows:

- A** = Abandoned (all Federal/Indian wells in the Case have been plugged and awaiting restoration)
- E** = Extended Term
- H** = Held by Production - Actual
- I** = Inactive (1. All wells plugged and sites restored; historical record only; or, 2. The Case is terminated, expired, relinquished, canceled, etc.)
- L** = Held by Production - Allocated
- P** = Primary Term
- R** = Renewal
- T** = Indian Lease Recommended for Termination

2. Inspection Priority Status Codes

‘Inspection Priority Status’ codes are associated to a case AND operator combination. The ‘Inspection Priority Status’ code is a critical field in AFMSS used in the development of the Inspection Strategy Plan Matrices. The ‘Inspection Priority Status’ code indicates to inspection personnel the case/operator combinations that need inspections during an FY, or if the case/operator is no longer active and an inspection is no longer necessary. If these codes are not set correctly, all workload estimates and resource needs projected for an upcoming FY may be inaccurate.

3. Distinction between Case and Inspection Priority Status Codes

There is no direct correlation between the ‘Inspection Priority Status’ code and the ‘Case Status’ code. It may appear that a correlation exists because many times the codes will be the same for producing, abandoned, or inactive cases.

Cases entered into AFMSS include lease and agreement records. A ‘Case Status’ code is entered for each lease record, even if the lease is in an agreement. The ‘Case Status’ code for the agreement takes precedence over the individual lease status code.

The 'Case Status' code indicates the actual case status. 'Case Status' codes are entered once for a case regardless of the number of operators. The 'Case Status' code does not affect the need for inspections of that Case.

See *IAFMSS/NIAFMSS V3 User Guide Feb 1 2007* and *NIAFMSS Handheld User Guide* for detailed instructions.

VI. OIL AND GAS PROGRAM ENFORCEMENT PROCEDURES

To ensure uniform implementation of the Oil and Gas Program enforcement procedures, the following provides the policy to be implemented by FOs having oil and gas program responsibilities.

In the past, several terms have been used to define a verbal warning issued to an operator. A verbal warning has often been referred to as a verbal Incident of Noncompliance (INC), an oral warning, or an oral INC. The use of these terms all refer to the same type of enforcement action. It is non-written communication to an operator for a minor, inadvertent and non-reoccurring violation that will be corrected immediately prior to the inspector leaving the location. To ensure consistency, verbal warning is the term to be used for enforcement actions of this type. A verbal warning is not to be confused with an oral order per 43 CFR 3161.2.

A. PROACTIVE MEASURES TO ACHIEVE COMPLIANCE

On occasion, operators are not aware of the regulatory requirements on Federal and Indian lands. By taking a proactive approach to compliance, the BLM inspectors may assist the operator to more clearly understand what is required. These efforts will also foster better working relationships with industry.

There are several proactive steps that may be taken to help prevent and alleviate some noncompliance issues. As a first step, FOs must review operator noncompliance ratings each year to identify issues or trends of noncompliance. This provides an opportunity to communicate with the operator and possibly avoid repeated violations. It is critical to have open lines of communication with operators to discuss the problems that are occurring and explain the regulatory requirements. Other proactive measures to consider include:

- Attending company safety meetings to explain regulatory requirements.
- Conducting one-on-one meetings in the field to discuss specific violations that are occurring.
- Reminding the operator prior to violation abatement dates that compliance must be obtained by the due date or assessments may occur.
- Holding operator meetings and discussing common violations occurring in the area.
- Contacting the operator to schedule a meeting to address the situation if systemic violations or problems are identified during the early stages of an inspection. This should be done before the enforcement actions issued become overwhelming to both the operator and the BLM.

Although these proactive measures may not help obtain compliance in all cases, the measures may facilitate better working relationships with companies that are trying to operate in accordance with the regulations.

B. IDENTIFICATION AND DOCUMENTATION OF VIOLATIONS AND PROBLEMS

1. Identifying a Violation

Recognizing a violation is the critical first step in ensuring compliance; although, it is not always as straightforward as it may seem. Operators must be in violation of a specific requirement outlined in the Federal regulations (usually 43 CFR 3160s), Onshore Oil and Gas Orders (Onshore Orders), Notices to Lessees (NTLs), lease terms, approved permits, Conditions of Approval (COAs), and/or Orders of the Authorized Officer (AO) before a *Notice of Incident of Noncompliance (INC)*, Form 3160-9, or an INC in letter format can be issued.

2. Identifying a Problem

Recognition of a problem as opposed to a violation can be difficult. A problem is defined as a concern or issue identified during an inspection that is not covered by a specific regulatory requirement. In these instances, the issuance of an INC is not appropriate. Examples of these types of instances include such items as environmental protection, public health and safety issues (other than those specific requirements addressed in Onshore Order No. 6), or workmanlike conduct. Although these areas are discussed in the regulations, specific standards are not provided for operations. The AO must notify the operator in writing using either the *Notice of Written Order* (Form 3160-18) or letter format.

Written Orders of the AO are used to specify or clarify requirements that may or may not be covered or addressed in detail by regulations, Onshore Orders, NTLs, lease terms, approved permits, COAs, or to supplement an existing approval and must be in writing. The Written Order must 1) specify any requirement(s) or corrective action(s) necessary to address the problem(s), 2) provide a reasonable timeframe to comply, and 3) include appeal rights. If at the end of the timeframe the requirement is not met, enforcement actions pursuant to §3163.1 must be taken. A table and flow charts, summarizing enforcement steps, are included in Appendix 3 “Summary of Enforcement Actions” for easy reference.

3. Documentation of the Violation or Problem

Sufficient documentation is the mainstay of successful enforcement. Clear evidence of a violation/problem supports the issuance of an INC/Written Order and will be vital evidence if the action is submitted to the State Director for review and appealed to the Interior Board of Land Appeals (IBLA) or to U. S. Federal Court.

There are three principal ways to document a violation or problem:

a. Written documentation

Written documentation provides a record of the facts of what, when, where, why, and the conditions pertaining to the violation/problem. This documentation must be maintained in an official hard copy file and forms the legal historical record for the inspection program. This hard copy file contains detailed information regarding the violation/problem and authority requirement(s). Meetings and telephone calls (date, time, name of the individual, and discussion points) related to the violation/problem must also be documented. Documentation of verbal communications is critical to an official hard copy file and supports enforcement actions if appealed.

All actions, including INCs, Written Orders, and Verbal Warnings must also be recorded in AFMSS (See *NIAFMSS V3 User Guide Feb 1 2007* and *NIAFMSS Handheld User Guide*). Recording and maintaining this data in AFMSS is critical in providing FOs with the capability to determine program direction and the ability to focus on the most critical noncompliance areas. It provides statistical information as to the overall effectiveness of the program on a State and National level. AFMSS also provides a Violation Status Report containing enforcement action information and abatement dates that assists in the prompt follow-up on actions to ensure compliance.

b. Physical evidence

Physical evidence may range from collecting water samples to gathering reports. If samples are to be analyzed by a laboratory, consult with the laboratory on how to collect and preserve the sample. Proper collection of the sample is critical to the analysis. Reports include but are not limited to logs, driller's tour sheet data, mud reports, run tickets, pit samples, calibration reports, and cement job reports.

c. Photographs:

Photographs must be taken of the violation/problem and included with the documentation. When violations cannot be depicted in photographs, written report(s) will be essential to document actions taken. Photographs are effective tools when describing violations such as missing seals, well signs, facility diagram deficiencies, oil spills, and safety hazards. They are also effective in documenting problems where an Order of the AO will be issued.

Inspection personnel must be careful to ensure photographs clearly show the specific violation or problem. In some cases, it may be necessary to take a series of photographs to properly indicate scale or relationship of the noncompliance to the site or equipment associated with the concern. For example, when

photographing a defective seal, the photograph must be close enough to clearly show the exact nature of the defective seal. Additional photographs may be needed in order to identify which valve and uniquely numbered tank had the defective seal.

All photographs must be identified, at a minimum, with the date, time, lease (case) number, operator, location, and a brief description of the violation or problem. Photographs must be attached to the official hard copy file of the Written Order or INC and filed appropriately.

4. Gravity of a Violation

All violations must be classified either major or minor. A major violation is defined in §3160.0-5 as a noncompliance that causes or threatens immediate, substantial, and adverse impacts to public health and safety, the environment, production accountability, or royalty income. If the violation does not meet these criteria, it must be classified as a minor violation.

The Onshore Orders provide information to operators about the typical classification for noncompliance with a specific requirement. However, each violation must be weighed against the criteria for a major violation before that classification can be assigned. For example, Onshore Order No. 3, Site Security, states that an unsealed or inappropriately sealed sales valve is a major violation. If the fluid level in the tank is at the same level as the valve near the bottom of the tank, the violation does not meet the criteria of a major violation and must be issued as a minor violation. The Onshore Order classification designation is a guideline, and inspection personnel must use judgment in determining if the violation meets the definition of a major violation.

A minor violation may change to a major violation when conditions meet the definition of a major violation. In these situations, a new INC must be issued as a major violation and a new abatement period. The INC for the minor violation is closed by showing a correction date that corresponds to the date the major violation is open.

For example, a minor violation is identified when an emergency pit is being used inappropriately but the conditions do not warrant a major violation. If, during the abatement period or if noncompliance continues and the emergency pit is in danger of breaching into a live waterway, it would then be classified as a major violation.

5. Immediate Assessments for Noncompliance - §3163.1(b)

Certain instances of noncompliance are so serious that they warrant the issuance of immediate assessments. The following violations will result in immediate assessments, which may be retroactive, in the following specified amounts per violation:

- a. Failure to install a blowout preventer or other equivalent well control equipment as required by the approved drilling plan, \$500/day for each day the violation existed, including days prior to discovery, not to exceed \$5,000.
- b. Drilling without approval or for causing surface disturbance on Federal or Indian surface preliminary to drilling without approval, \$500/day for each day the violation existed, including days prior to discovery, not to exceed \$5,000. Violations for causing surface disturbance on Fee (Private) or State surface (split estate) do not incur this assessment.
- c. Failure to obtain approval of a plan for well abandonment prior to commencement of such operations, \$500 (one-time payment, 43 CFR 3163.1(b)(3)).
- d. Removal of a Federal seal without approval of the AO, \$250 (one-time payment per Federal seal removed, Onshore Order No. 3, Section IV).

C. NOTICE OF VIOLATION - §§3163.1, 3163.2, AND 3165.3(a)

CAUTION: Do not reference these instructions when citing a violation, assessment, or penalty. Always reference the appropriate approval document, Onshore Order, NTL, COA, or regulation.

When a violation is discovered, §§3165.3(a) and 3163.1(a) require the AO to notify the appropriate party in writing and provide a reasonable abatement period to correct the violation. The *Notice of Incidents of Noncompliance*, Form 3160-9, or letter format must be used and signed by the appropriate AO. The notice must be delivered by hand or by certified mail, return receipt requested, and include the appeal language. Refer to section VII *Instructions for Use of Letter Format for INCs and Orders* for detailed information regarding the letter format.

Note: Through the certification process (BLM Handbook H-3160-6, *National Certification Handbook for Inspection and Enforcement Personnel*), certified inspectors are authorized to sign the INC form. If the State or an FO delegation of authority allows, a certified inspector may sign the INC letter. Anyone other than a certified inspector must successfully complete the official (BLM NTC) compliance training specifically designed and presented for this purpose and must be deemed authorized to sign an INC or Written Order form.

1. When certified mail is used

When certified mail is used, delivery is deemed to occur when the notice is received or 7 business days after the date it is mailed, whichever is earlier.

2. When the notice is delivered by hand

When the notice is delivered by hand, the BLM copy of the notice must be signed by the recipient. If the recipient refuses to sign the notice, record the time, date, and the name of the person who accepted the notice. The abatement period begins when the notice is delivered.

3. For major violations

For major violations §3165.3(a) requires “that a good faith effort must be made to contact such designated representative by telephone and must be followed by a written notice. Receipt of the notice is deemed to occur at the time of such verbal communication, and the time of notice and the name of the receiving party must be confirmed in the official hard copy file. If the good faith effort to contact the designated representative is unsuccessful, notice of the major violation may be given to any person conducting or supervising operations subject to the regulations in this part.” The time of notice and the name of the receiving party must be documented in the remarks section of the notice.

To ensure that a “good faith effort” is made to contact an operator representative, verbal communication must take place. Leaving a telephone message may be acceptable if several attempts have been made. Attempts to contact the operator must be documented in the official hard copy file, including the date, time, and telephone number that were used.

Abatement periods typically will be very short, days or even hours in some cases, due to the serious nature of a major violation. Even with shorter abatement periods for major violations, the time to correct the violation must be considered reasonable so that the operator can correct the violation.

4. Minor violations

Minor violations per §3165.3(a) require written notice. This written notice can be served by personal service, by an authorized officer or certified mail. If the notice is served by personal service, the time of notice and the name of the receiving party must be documented in the remarks section of the BLM copy of the notice.

5. Verbal Warnings

Verbal Warnings may be used when the operator's efforts demonstrate good faith, the violation is minor, obviously inadvertent, and non-reoccurring. If the FO determines that a pattern of noncompliance or repeated violations are occurring, Verbal Warnings cannot be used. Furthermore, if the operator fails or refuses to comply with a Verbal Warning, the written notification procedures must be used prior to further enforcement action such as assessments or penalties. **All Verbal Warnings must be documented in AFMSS.**

D. NOTICE OF WRITTEN ORDER OF THE AUTHORIZED OFFICER, §3161.2

CAUTION: Do not reference these instructions when citing an order. Always reference the appropriate approval document, that is, Onshore Order, NTL, COA, or regulation.

When a problem is discovered, §3165.3(a) requires the AO to notify the appropriate party in writing and provide a reasonable abatement period to correct the problem. The *Notice of Written Order*, (Form 3160-18) or letter format must be used and signed by the appropriate AO. The notice must be delivered by hand or by certified mail, return receipt requested, and include the appeal language.

Note: Through the certification process (BLM Handbook H-3160-6, *National Certification Handbook for Inspection and Enforcement Personnel*), certified inspectors are authorized to sign the INC form. If the State or an FO delegation of authority allows, a certified inspector may sign the INC letter. Anyone other than a certified inspector must successfully complete the official (BLM NTC) compliance training specifically designed and presented for this purpose and must be deemed authorized to sign an INC or Written Order form.

1. When certified mail is used

When certified mail is used, delivery is deemed to occur when the notice is received or 7 business days after the date it is mailed, whichever is earlier.

2. When the notice is delivered by hand

When the notice is delivered by hand, the BLM copy of the notice must be signed by the recipient. If the recipient refuses to sign the notice, record the time, date, and the name of the person who accepted the notice. The abatement period for a hand-delivered notice begins when it is delivered.

3. All Written Orders must be documented in AFMSS

When the letter format is used, the notice must be recorded in AFMSS for tracking purposes. The order may include multiple wells and/or facilities, but the requirements for each Case/Operator must be documented separately in AFMSS. The notice must include the case number (lease or agreement), well and/or facility identification, the nature of the problem, abatement period, and the “Failure to Comply” and “Appeal” language. Refer to section VII **Instructions for Use of Letter Format for INCs and Orders** for information regarding the letter format.

4. The regulations at §3161.2 discuss the use of Oral Orders

Keep in mind that Oral Orders of the AO must be confirmed in writing within 10

business days. It should be noted that Oral Orders are not the same as Verbal Warnings.

Orders of the AO are not INCs and therefore do not affect an operator's compliance rating. An operator's compliance rating is determined by the number of FOGRMA related violations issued during a fiscal year. The rating is used during the development of the I&E Strategy Matrix for inspection prioritization purposes.

E. FOLLOW-UP INSPECTION

A follow-up inspection is required to ensure compliance within the abatement period. However, a follow-up field trip may not be necessary for minor violations per item 2 below:

1. Major violations

Major violations must have a follow-up inspection immediately after the abatement period. If the operation is critical, for example if the public health and safety is at risk, inspections to check the status and condition may be necessary prior to the end of the abatement period.

2. In the case of a minor violation

In the case of a minor violation when the operator/representative has signed and returned the INC form verifying the violation has been corrected (Self-Certification), a follow-up field trip may not be required except on a random basis. *The follow-up date is the date Self-Certification has been reviewed and the determination has been made that a field trip to ensure compliance is not necessary.*

If the operator or responsible party fails to self-certify the minor violation's correction, a follow-up inspection is required. *Minor violations that have the potential to escalate to a major classification: if not abated promptly, the minor violations require a follow-up inspection even though correction has been self-certified.*

3. Follow-up inspections of Orders of the AO

Follow-up inspections of Orders of the AO must be conducted in a timely manner to ensure the operator has corrected the problem(s). If the operator has failed to correct the problem(s) within the abatement period, an INC must be issued for failure to comply with an order of the AO (§3163.1(a)). Follow-up inspections for compliance are critical for the success of future enforcement actions. The AFMSS provides a Violation Status Report containing enforcement action information and abatement dates that assists in the prompt follow-up of actions to ensure compliance.

F. CORRECTED VIOLATIONS AND PROBLEMS

1. After the violation/problem is corrected

After the violation/problem is corrected, and the correction is verified, the INC/Written Order is placed in the official hard copy file for compliance history.

2. Update the INC/Written Order record in AFMSS

Update the INC/Written Order record in AFMSS by entering the follow-up and corrected dates and a brief summary of the follow-up in the remarks. If extension dates were granted, those also must be entered into AFMSS with an explanation for the extension(s).

G. RESCINDING INCS OR WRITTEN ORDERS

In rare instances, it may be necessary to rescind an INC. If technical or procedural errors such as typographical mistakes, incorrect legal description, incorrect regulatory citation, and so on, are identified on the original INC, the INC may be rescinded by the issuing Authorized Officer/Certified Inspector. The corrected INC must inform the operator that the original INC is being rescinded and provide the original INC number for reference, state what is being corrected, and include a revised abatement date. Written justification for rescinding the INC must be sent to the State Office I&E Program Lead/Coordinator, along with the corrected INC. For a major INC, the operator must also be immediately notified by telephone. The rescinded INC record must be deleted from AFMSS so it will not be counted toward the operator compliance history.

Any INCs issued by the Authorized Officer/Certified Inspector in accordance with applicable regulations or policy and which do not contain any discrepancies (i.e., incorrect operator, case, well, etc.) cannot be rescinded without review by the Deputy State Director.

H. ENFORCEMENT TOOLS FOR CONTINUED NONCOMPLIANCE

If the operator fails or refuses to comply with notices (INCs/Written Orders) described above, other means to gain compliance will be necessary. The list below provides the tools available to address noncompliance issues. All FOs should be aware that they may have more than one choice of enforcement tools that can be used, or in some cases multiple tools could be used. Each FO should take the time to identify the best tool(s) to gain compliance most effectively and should not assume only one approach/tool can be used for enforcement.

- Monetary assessment, §3163.1(a)(1) and (2)
- Immediate assessments, §3163.1(b)(1), (2), and (3)

- Civil penalties, §3163.2
 - Shut down of operations, §3163.1(a)(3)
 - Enter lease and perform, or have performed work at the sole risk and expense of operator, §3163.1(a)(4)
 - Forfeiture under the bond, §3163.1(a)(5)
 - Lease cancellation, §3163.1(a)(5) and 43 CFR 3163.2(j)
1. Monetary Assessments - §3163.1(a)
 - a. Major Violations

If a major violation is not corrected within the allowed time, the AO will impose an assessment of not more than \$500/day for each day non-abatement continues (§3163.1(a)(1)). If more than one violation exists the assessment shall not exceed \$1,000/day/operator/lease (§3163.1(c)).

Issue a second INC informing the operator that it is being assessed \$500/day for each day the violation continues, and provide another abatement period to correct the violation. The abatement period for the second INC should be based on criteria for what is a reasonable period to correct a major violation, typically a short timeframe. Before civil penalties can be proposed, the violation must remain uncorrected for at least 20 days from the date of first notice. Due to the nature of major violations, the 20-day civil penalty standard should not normally be used as an abatement period for the second notice.

As identified in section VI.C.3 above, the second INC of a major violation also requires that a good faith effort must be made to verbally inform the operator of the violations and then are followed up in writing.

The second INC must inform the operator that civil penalties may be initiated if the violation is not corrected in a timely manner. A copy of this notice must be sent to the lessee and/or operating rights owners if different from the operator.

In those cases when an operator has failed to comply with the second INC on a major violation, inspection personnel are strongly encouraged to consider shutting down the operation, using the *Notice to Shut Down Operation* (Form 3160-12). Caution must be used when considering the shutdown of operations to ensure (1) shutdown is appropriate given the operational conditions, and (2) shutdown would not cause undue harm to the operations or the environmental resources.

Note: Shutdown of operations on tribal or allotted leases must be coordinated with the appropriate tribe or agency.

To ensure necessary compliance, the AO may also enter upon a lease and perform or have performed, at the sole risk and expense of the operator, operations that the

operator fails to perform when directed in writing (§3163.1(a)(4)). Charges shall include actual cost of work plus 25 percent to cover administrative costs.

b. Minor Violations

If a minor violation is not corrected within the time allowed, the AO may subject the operator to an assessment of \$250 (§3163.1(a)(2)). If more than one violation exists the assessment shall not exceed \$500/operator/lease/inspection (§3163.1(c)). In cases when the self-certification is not received from the operator, a field inspection will be necessary to verify the status of the violation.

Issue a second INC informing the operator it is being assessed \$250 for failure to correct the violation. Provide another abatement period of not less than 20 days per 43 CFR 3163.2(g)(2)(ii). Even though the abatement period for the second notice cannot be less than 20 days, some violations may require longer periods to comply in order to meet the criteria for reasonableness.

When operators are unresponsive, or if violations could escalate to a major classification, shutdown of operations may be considered, using the *Notice to Shut Down Operation* (Form 3160-12). Caution must be used when considering the shutdown of operations to ensure (1) shutdown is appropriate given the operational conditions, and (2) shutdown would not cause undue harm to operations or the environmental resources.

To ensure necessary compliance, the AO may also enter upon a lease and perform or have performed, at the sole risk and expense of the operator, operations that the operator fails to perform when directed in writing (§3163.1(a)(4)). Charges must include actual cost of work plus 25 percent to cover administrative costs.

The second INC must also inform the operator that civil penalties may be issued if the violation is not corrected in a timely manner. A copy of the notice must be sent to the lessee(s) and/or operating rights owner(s) if different from the operator.

On a case-by-case basis, the State Director (SD) may compromise or reduce the assessment amount (§3163.1(e)). However, the SD must state on the record the reasons for such determination.

2. Civil Penalties, §3163.2

Note: Prior to initiating civil penalties, coordinate with the state office program lead and other subject matter experts for assistance.

Whenever an operator fails or refuses to remedy a violation, the following results:

- a. If the violation is not corrected within 20 days of the first INC, or such longer time as the AO may agree to in writing, the operator shall be liable for a civil penalty of up to \$500/violation for each day such violation continues from the date of the first INC. Refer to Item VI.H.3, below, to determine actual penalty calculation amounts.
- b. A good faith effort to contact the operator must be made by telephone to notify the operator of potential civil penalties. The date, time, and the name of the receiving party must be confirmed in the official hard copy file.
- c. Notification of proposed civil penalties will be issued in a letter format requiring the signature of the AO. Do not use an INC when issuing a civil penalty. The notification must include the appeal language and be delivered by hand or by certified mail, return receipt requested. Copies of the written notice must also be sent to all lessees and the operating rights owners.

For the purpose of State Director Review (SDR), appeal, and hearing on the record, this letter will be the operator's only opportunity to file for review/appeal of the proposed civil penalties, §3165.3(c), 3165.4(b).

- d. If the violation is not corrected within 40 days of the first INC, the operator shall be liable for a civil penalty of up to \$5,000/violation for each day the violation continues, not to exceed 60 days from the date of the first INC.
- e. During the civil penalty phase, continued follow-up inspections, as well as attempts to contact the operator and notify it of the ongoing status of compliance and accumulating civil penalties must be conducted and documented in detail.

At a minimum, 5 days prior to the end of the 40-day penalty phase, a courtesy letter will be sent to the operator informing the operator of the pending increased penalty amount and urging immediate compliance. Five days prior to the end of the 60-day penalty phase, a second courtesy letter will be sent to the operator notifying the operator of pending lease cancellation proceedings and, again, urging immediate compliance. Notification must be delivered by hand or by certified mail, return receipt requested. Copies of the written notice must also be sent to all lessees and the operating rights owners. A good faith effort must be made to contact the operator by telephone at both penalty phases and must be documented in the official hard copy file.

Note: Courtesy letters are not formal notices of decision. They are informational and must be filed in the hard copy file, but not be entered into AFMSS.

See Item 3 below for determination of penalty amounts for immediate, major, and minor violations. Any amount imposed or paid as assessment under §3163.1(a)(1) will be deducted from these penalties.

- f. In accordance with 3163.2(c), “In the event the Authorized Officer agrees to an abatement period of more than 20 days, the date of notice shall be deemed to be 20 days prior to the end of such longer abatement period for the purpose of civil penalty calculations.”

For example, the notice of violation was deemed received on January 1, with an abatement date of January 20. Prior to January 20, the operator requested an extension to January 30, and it was granted by the AO. The calculation for proposed civil penalty would then begin on January 10.

3. Calculations of Civil Penalties

The amounts for civil penalties under §3163.2 shall be determined as follows:

Note: Calculation of civil penalties is based on calendar days.

- a. For major violations, all initial proposed penalties shall be at the maximum rate provided.
 - (1) If the violation is not corrected within 20 days of the first notice, or such longer period as agreed to by the AO, the penalty shall be a \$500/violation/day from the date of first notice. If more than one violation exists, the penalty shall not to exceed the rate of \$1,000/day/operator/lease through the 40th day.
 - (2) If the violation is not corrected within 40 days of the first notice, or such longer period as agreed to by the AO, the penalty shall be \$5,000/violation/day from the date of first notice. If more than one violation exists, the penalty shall not exceed a maximum of \$10,000/day/operator/lease, not to exceed a maximum of 60 days from such notice or report.
 - (3) If the violation continues beyond the 60-day maximum, lease cancellation proceedings shall be initiated under Title 43.
- b. For minor violations, no penalty under §3163.2(a) shall be assessed unless:
 - (1) The operator was notified of the violation in writing and did not correct it within the allotted time; or

- (2) The operator was assessed \$250 under §3163.1 and a second INC was issued giving an abatement period of not less than 20 days (§3163.2(g)(2)(ii)).

For minor violations, the following will result:

- (3) If the violation is not corrected within 20 days, or such longer period as agreed to by the AO, the initial proposed penalty shall be at the rate of \$50/day from the date of second notice; if more than one violation exists, the penalty shall not exceed \$100/day/operator/lease.
- (4) If the violation is not corrected within 40 days, or such longer period as agreed to by the AO, the initial proposed penalty shall be at the rate of \$500/day from the date of second notice; if more than one violation exists the penalty shall not exceed \$1000/day/operator/lease.
- (5) If the violation continues beyond the 60-day maximum, lease cancellation proceedings shall be initiated under Title 43.
- (6) If a minor violation is changed to a major violation after the operator is notified of civil penalties, the FO must immediately notify the operator verbally and follow up in writing that the violation classification has changed and a new abatement date has been established. This notification must inform the operator the penalty amounts will increase to the major violation rate if the operator fails to comply within the new abatement period. The major penalty rate will commence on the date the operator fails to comply with the new abatement period.

If this occurs, contact the state office program lead for guidance.

- (7) The major violation penalty rate will begin on the date the operator receives notification of the major classification. Civil penalties incurred during the minor violation cease as soon as the major classification and penalty amounts begin.
- (8) Billing, or demand for payment, for Civil Penalties – see section VI.N for detailed information.

4. Other Civil Penalties

- a. Whenever a transporter fails to permit inspection for proper documentation, the transporter shall be liable for a civil penalty of up to \$500/day, not to exceed a maximum of 20 days. If the violation continues beyond the 20-day maximum timeframe, the AO shall revoke the transporter's authority to remove crude oil or other liquid hydrocarbons from, or allocated to, any Federal or Indian lease site under authority of the AO.

- b. Any person shall be liable for a civil penalty of up to \$10,000/violation for each day, not to exceed 20 days, if he/she:
 - (1) Fails or refuses to permit lawful entry or inspection authorized by §3162.1(b); or
 - (2) Knowingly or willfully fails to notify the AO by letter or Sundry Notice, not later than the fifth business day, of any well that begins production or resumes production after being off production for greater than 90 days. See §3160.0-5 for definition of new or resumed production.

- c. Any person shall be liable for a civil penalty of up to \$25,000 per violation for each day, not to exceed 20 days, if he/she:
 - (1) Knowingly or willfully prepares, maintains, or submits false reports or other data;
 - (2) Knowingly or willfully takes or removes, transports, uses, or diverts any oil or gas, from any Federal or Indian lease without legal authority; or
 - (3) Purchases, accepts, sells, transports, or conveys to another, any oil or gas, knowing or having reason to believe that the oil or gas was stolen from the Federal or Indian lease.

NOTE: The Secretary delegated authority for administering operations on oil and gas leases to the Director, Bureau of Land Management, in 235 DM 1.1K. The authority with respect to the determination and levying of civil penalties under §3163.2 was re-delegated to State Directors. See Manual Part 1203, Release 1-1586, Appendix 1, page 67. Further, the Solicitor's Office has stated that the legislative history refers specifically to reductions and adjustments by the State Directors in the course of administrative review. Therefore, on a case-by-case basis, the State Director may compromise or reduce civil penalties and shall state on the record the reasons for such determination.

Civil penalties shall be supplemental to and do not detract from or decrease other penalties or assessments for noncompliance in any other provision of law, except as provided in §3163.2(a) and (b).

5. Shutdown of operations, §3163.1(a)(3)

Note: Caution must be used when considering the shutdown of operations to ensure 1) shutdown is appropriate given the operational conditions, and 2) shutdown would not cause undue harm to the operations or the environmental resources. Shutdown of

operations on tribal or allotted leases must be coordinated with the appropriate tribe or agency.

- a. Immediate shutdown action may be taken when operations are initiated and conducted without prior approval, or when continued operations could result in immediate, substantial, and adverse impacts on public health and safety, the environment, production accountability, or royalty income.
- b. Shutdown actions for other situations, such as continued noncompliance, may be taken only after due notice has been given in writing. Caution must be taken when considering this option. In some cases, shutting down an operation could cause irreversible damage to a reservoir if the well(s) was shut in. Internal communication with the petroleum engineer, geologist, and management (for Indian leases, only upon concurrence of the appropriate Bureau of Indian Affairs [BIA] office) is the key to determine if a shutdown action should be taken.

If the inspector has not been delegated authority to issue a shutdown of operations, the inspector must notify the AO and explain the problem and the lack of authority to enforce. The AO must then determine if a written or oral shutdown of operations will be issued in accordance with §3163.1(a)(3). If an oral shutdown of operations is issued it must be confirmed in writing.

Shutdown of operations can be used in conjunction with other enforcement actions to have the greatest effect in gaining compliance. For instance, if an operator has failed to comply with a major violation, issue a second notice with a \$500 per day assessment and inform the operator that if the violation is not corrected, shutdown proceedings will be initiated. This puts the operator on notice as required by §3163.1(a)(3), that if the operator fails or refuses to correct the violation, operations will be shut down. If the shutdown action is taken due to continued noncompliance, the \$500 per day assessment continues until the violation is corrected.

6. Enter lease and perform, or have performed work at the sole risk and expense of operator, §3163.1(a)(4)

To ensure necessary compliance, the AO may enter a lease and perform, or have performed, at the sole risk and expense of the operator, operations that the operator fails to perform when directed in writing by the AO. Appropriate charges shall include the actual cost of performance, plus an additional 25 percent of such amount to compensate the United States for administrative costs. The operator shall be provided with a reasonable period of time either to take corrective action or provide written justification to the BLM why the lease should not be entered.

The AO must approve the decision for the BLM to perform the work or contract for the work to be completed. This would only be required in emergency situations.

7. Forfeiture under the Bond, §3163.1(a)(5) and Lease cancellation, §3163.1(a)(5) and 43 CFR 3163.2(j)

Continued noncompliance may subject the lease to cancellation and forfeiture under the bond. The operator will be provided with a reasonable period of time either to take corrective action or to provide written justification why the lease should not be recommended for cancellation.

If the violation continues beyond the 60-day maximum civil penalty process, lease cancellation proceedings shall be initiated under either Title 43 or Title 25 of the Code of Federal Regulations.

Both of the actions require close coordination with management and the leasing staff. Leases capable of production require a court action to terminate the lease (§3108.3).

I. STATE DIRECTOR REVIEW AND APPEALS

1. State Director Review §3165.3(b)

Any adversely affected party who contests a notice of violation or assessment or an instruction, order, or decision of the AO may request an administrative review by the SD. Such request, including all supporting documentation, must be filed with the appropriate SD within 20 business days of the date such notice of violation, assessment, instruction, or order was considered received. Upon request and showing good cause, an extension for submitting supporting data may be granted by the SD.

Any request for review by the SD will not result in a suspension of the requirement for compliance with the INC or proposed penalty, or stop the daily accumulation of assessments or penalties, unless the SD so determines.

2. Effect of a Hearing on the Record-§3165.3(e)(2), or Appeal to IBLA-§3165.4(d) on Compliance Requirements
 - a. **43 CFR 3165.3(e)(2):** Any request for a hearing on the record before an Administrative Law Judge shall not result in a suspension of the requirement for compliance.
 - b. **43 CFR 3165.4(d):** Any appeal filed pursuant to this section shall not result in a suspension of the requirement for compliance, unless a stay has been granted by IBLA.
3. Review of Proposed Penalties-§3165.3(c)
 - a. No civil penalty shall be assessed until the party charged with the violation has

been given the opportunity for a hearing on the record in accordance with section 109(e) of FOGRMA. Therefore, any party adversely affected by the SD's decision on the proposed penalty may request a hearing on the record before an Administrative Law Judge or, in lieu of a hearing, may appeal directly to the IBLA as provided in §3165.4(b)(2). A request for a hearing on the record is to be filed with the SD within 30 days of receipt of the SD's decision on the notice of proposed penalty.

- b. If the party adversely affected by the SD's decision waives the right for a hearing before an Administrative Law Judge and goes directly to IBLA, any further appeal to the U.S. District Court under section 109(j) of FOGRMA is precluded.
 - c. A request for a hearing on the record before an Administrative Law Judge, or an appeal to IBLA, will suspend the accumulation of additional daily penalties until final decision is rendered, according to §3165.3(e)(2) and 3165.4(e). The SD may, after review of a request for hearing, and within 10 days of receipt of such request, recommend the Director of BLM reinstate the accumulation of daily civil penalties until the violation is abated. The Director has 45 days from filing of the request to reinstate the accumulation of civil penalties. If not reinstated within 45 days, the suspension of penalties will continue.
4. Appeals - §3165.4

Any party who is adversely affected by the decision of a SD or an Administrative Law Judge may appeal that decision to the IBLA as provided in §3165.4.

J. INSTRUCTIONS FOR COMPLETING *NOTICE OF INCIDENTS OF NONCOMPLIANCE*, FORM 3160-9 (JANUARY 1989).

1. A separate form must be prepared for each violation.
2. Distribution of copies: Hard copy form: The hard copy form may be used in those instances where it is necessary to issue an immediate INC in the field; however, all INC information must also be entered into AFMSS. The original and a copy of the INC (Form 3160-9) are given to the operator. Instruct the operator to sign and return the original (original BLM signature) copy to the FO. A copy must be maintained in the FO. The information from the INC must be entered into AFMSS (and any other office tracking systems as appropriate). When the operator returns the original copy of the INC, ensure it has been signed and filed in the official hard copy files. The lessee(s) and operating rights owner(s) must be notified if civil penalties are initiated.

AFMSS-generated form: Complete the data entry screens as appropriate in AFMSS. Generate three copies of the INC form. Two copies are given to the operator. Instruct the operator to sign and return the original (original BLM signature) copy of the INC form and keep one for its records. Maintain a copy in the FO. When the

operator returns the original copy of the INC, ensure it has been signed and filed in the official hard copy files. See Appendices 3 and 4 for detailed instructions.

3. The following letters correspond to the fields on the Form 3160-9 found in Appendix 4. The asterisk (*) indicates corresponding AFMSS data elements for data entry (see L below).

- a. *Method of Delivery: If certified mail is used, so indicate. Enter the Certified Mail Receipt number for tracking.

If hand delivered, so indicate. Enter the name of the person the form was hand delivered to. Ensure that a “received by” signature is obtained or record time and date delivered if the operator refused to sign.

- b. *Number: A unique number must be assigned to each notice. A suggested format would be inspector initials, fiscal year, and sequential numbers, such as JD-07-001.

- c. Page ___ of ___: Number each page of the form (Pg 1 of 3, Pg 2 of 3, Pg 3 of 3, and so on).

- d. *Identification: Enter the appropriate identification for the case, such as lease number, CA number, or unit name with PA designation.

- e. *Bureau of Land Management Office: Enter the name, address, and telephone number of the FO that has jurisdiction over the case.

- f. *Operator: Enter the operator's name.

Address: Enter the operator's mailing address. Ensure that the appropriate mailing address is used. Some notices are sent to the office of record, while others may go to a local office for the operator.

Attention: Enter the name of the company, agent, or representative responsible for correcting the violation, if known.

- g. *Site Name: If appropriate, enter the lease name. This may also be used to enter the Facility Identification (Facility Name). This should describe a location in terms that the operator is familiar.

- h. *Well or Facility Identification: Enter the name or number identifying the well or facility where the violation has been detected.

- i. *¼ ¼ Sec.: Enter quarter-quarter and section location of well or facility.

- j. *Township: Enter the township for the location.
- k. *Range: Enter the range for the location.
- l. *Meridian: Enter the meridian for the location.
- m. *Inspector: Enter the name of the inspector who discovered the violation.
- n. *Date: Enter the date the violation is discovered.
- o. *Time: Use the 24-hour clock system to enter time of day the violation is discovered.
- p. *Violation: Cite the specific regulation, NTL, Oil and Gas Onshore Order, lease term, approved permits, COA, or agreement that is in violation. The authority reference shall be as specific to the nature of the violation as possible. In most cases, only one authority reference shall be used per INC.
- q. *Gravity of Violation: Enter major or minor. Refer to 43 CFR 3160.0-5 for definition of major and minor violations.
- r. *Corrective Action To Be Completed By: Enter date corrective action is to be completed or abatement timeframe, starting upon receipt of notice or 7 business days after notice is mailed.
- s. *Date Corrected: Enter the date the violation was corrected. The operator should enter the date the violation was corrected before returning the form to the inspection office. If the date is not entered by the operator, the date the operator signed the return copy must be entered.
- t. *Assessment for Noncompliance: Enter amount of monetary assessment as provided for in 43 CFR 3163.1, Remedies for acts of noncompliance.

NOTE: If an assessment is not applicable to the notice being issued, do not enter an amount in this field.

- u. *Assessment Reference: If applicable, insert appropriate 43 CFR reference.

NOTE: Check the 43 CFR 3160 regulations for correct reference.

- Immediate assessments are issued under 43 CFR 3163.1(b).
- For failure to abate Major violation: 43 CFR 3163.1(a)(1).

- For failure to abate Minor violation: 43 CFR 3163.1(a)(2).
- v. ***Remarks:** Clearly, and in detail, describe the nature of the violation, for example, “The seal is ineffective on the sales valve on Tank No. 154.” The remarks must be consistent with the authority reference. Include only those remarks that are pertinent to the operator. Do not include remarks related to internal tracking.
- w. **Company Representative Title, Signature and Date:** To be completed by the operator's representative authorized to certify completion of corrective action.
- x. **Company Comments:** Optional, for use by the operator in commenting on violation and/or corrective action.
- y. **Signature of BLM Authorized Officer, Date, and Time:** Inspectors delegated authority to issue notices of noncompliance or the AO must sign and enter the date and time of the signature to validate the notice of violation.
- z. **For Office Use Only:**
 - *Number:**
 - *Assessment:**
 - *Penalty:**
 - *Termination:** This field is not used.
 - *Type of Inspection:** Enter the appropriate Inspection Type code for the type of inspection being conducted when the violation was discovered.

K. INSTRUCTIONS FOR COMPLETING, *NOTICE TO SHUT DOWN OPERATION* FORM 3160-12 (JANUARY 1989).

1. When an immediate shutdown of operation is required under 43 CFR 3163.1(a)(3), the *Notice to Shut Down Operation*, Form 3160-12, must be used.
2. Distribution of copies: Hard copy form: The hard copy form may be used in those instances where it is necessary to issue an immediate *Notice to Shut Down Operation* in the field; however, all *Notice to Shut Down Operation* information must also be entered into AFMSS. The original and a copy of the *Notice to Shut Down Operation* (Form 3160-12) are given to the operator. Instruct the operator to sign and return the original (original BLM signature) copy to the FO. A copy must be maintained in the FO. The information from the *Notice to Shut Down Operation* must be entered into AFMSS (and any other office tracking systems as appropriate). When the operator

returns the original copy of the *Notice to Shut Down Operation*, ensure it has been signed and filed in the official hard copy files. The lessee(s) and operating rights owner(s) must be notified if civil penalties are initiated.

AFMSS-generated form: Complete the data entry screens as appropriate in AFMSS. Generate three copies of the *Notice to Shut Down Operation* form. Two copies are given to the operator. Instruct the operator to sign and return the original (original BLM signature) copy of the *Notice to Shut Down Operation* form and keep one for its records. Maintain a copy in the FO. When the operator returns the original copy of the *Notice to Shut Down Operation*, ensure it has been signed and filed in the official hard copy files. See *NIAFMSS V3 User Guide Feb 1 2007* and *NIAFMSS Handheld User Guide* for detailed instructions.

In those instances when there is a violation, a *Notice of Incidents of Noncompliance*, Form 3160-9, must also be issued to accompany the *Notice to Shut Down Operation*. While rare, there may be cases when a “Problem” is identified, an INC cannot be issued. In these situations a Written Order of the AO must accompany the *Notice to Shut Down*.

3. The following letters correspond to the fields on the Form 3160-12 (see appendix 4). The asterisk (*) indicates corresponding AFMSS data elements for data entry (see L below).
 - a. *Method of Delivery:
 - (1) If certified mail is used, so indicate. Enter the Certified Mail Receipt number for tracking.
 - (2) If hand delivered, so indicate. Enter the name of the person the form was hand delivered to. Ensure that a “received by” signature is obtained or record time and date delivered if the operator refused to sign.
 - b. *Number: A unique number must be assigned to each notice. A suggested format would be inspector initials, fiscal year, and sequential numbers, such as JD-07-001.
 - c. Page ___ of ___: Number each page of the form used (Pg 1 of 3, Pg 2 of 3, Pg 3 of 3, and so on.).
 - d. *Identification: Enter the appropriate identification for the case, such as lease number, CA number, or unit name with PA designation.
 - e. *Bureau of Land Management Office: Enter the name, address, and telephone number of the FO that has jurisdiction over the case.
 - f. *Operator: Enter the operator's name.

Address: Enter the operator's mailing address. Ensure that the appropriate mailing address is used. Some notices are sent to the office of record, while others may go to a local office for the operator.

Attention: Enter the name of the company, agent, or representative responsible for correcting the violation requiring the shutdown notice.

- g. *Site Name: If appropriate, enter the lease name. This may also be used to enter the Facility Identification (Facility Name). This should describe a location in terms that the operator is familiar with.
- h. *Well or Facility Identification: Enter the name or number identifying the well or facility where the shutdown has been ordered.
- i. *¼ ¼ Sec.: Enter quarter-quarter and section for the location.
- j. *Township: Enter the township for the location.
- k. *Range: Enter the range for the location.
- l. *Meridian: Enter the meridian for the location.
- m. *Inspector: Enter name of inspector who identified the violation requiring the shutdown notice.
- n. *Date: Enter date the shutdown order is effective.
- o. *Time: Enter the time of day the shutdown is ordered, using the 24-hour clock system.
- p. *Corrective Action To Be Completed By: Enter date or date and hour corrective action is to be completed or abatement timeframe, starting upon receipt of notice.
- q. *Report Corrective Action By: Enter the number of days, or date by which the operator must report corrective action taken to the inspection office.
- r. *Date Corrected: Enter the date corrective action was completed.
- s. *Remarks: The Remarks section must be used to explain why the notice to shut down is being issued. The explanation must describe in detail what operation is to be shut down. Reference *Notice of Incidents of Noncompliance* Form, 3160-9, and what needs to be corrected before operation can resume. Include only those remarks pertinent to the operation. Do not include remarks used for internal tracking.

- t. Company Representative Title, Signature and Date: To be completed by the operator to certify completion of the corrective action.
- u. Company Comments: This space is provided for a company representative to comment on the violation or the corrective action.
- v. Signature of BLM Authorized Office, Date, and Time: The AO must sign and enter the date and time of signature.

L. AFMSS DATA ENTRY INSTRUCTIONS FOR ENFORCEMENT ACTIONS

All violation information must be entered into AFMSS. The AFMSS can generate the *Notice of Incidents of Noncompliance*, Form 3160-9, *Notice to Shut Down Operation*, Form 3160-12, and the *Notice of Written Order*, Form 3160-18. The following information describes the data entry fields required to generate a Written Order, INC or Shut Down Notice form or to document a Verbal Warning for tracking purposes. The term “INC” used throughout these instructions refers to all enforcement action types unless otherwise specified.

All Verbal Warnings must be documented in AFMSS. Indicate in the remarks that a written follow-up to a Verbal Warning was issued. Include the date, time, and name of person who received the Verbal Warning. Complete all of the applicable fields.

AFMSS Data Entry Screen: INC, Shut-Down Order, Written Order, or Verbal Warning Input (IEP.43):

This screen includes a series of TABs. Upon initial entry to this screen, the “Issued By” tab is activated. The following discusses each TAB separately.

ISSUED BY TAB

Contact Person: AFMSS allows for various “types” of addresses, such as LOC-local, GEN-general, INC-Incident of Non-Compliance, etc. Select the appropriate operator address and contact person.

BLM Office: This selection will default to the BLM Office issuing the notice. This may only be changed if the return notice should be addressed to a satellite office, rather than the main FO address.

SME Contact Person: Optional. Select the appropriate Surface Management Entity contact person for the notice.

WELLS AND FACILITIES TAB

The wells and/or facilities associated with the Case/Operator that was selected for this notice are displayed on this screen. The first column indicates the wells/facilities that have been selected/associated with the notice. To select (associate) a well or facility record, place the cursor in the "Sel" column in front of the appropriate record and double click to insert an "X" into the column. That record will then be associated with the notice. Multiple selections may be made; however, remember that for INCs, each violation must be addressed separately. Only Verbal Warnings and Written Orders can be associated with multiple records.

INC INFO TAB

INC Number: Required Field. A unique number must be assigned to each INC, Written Order, Notice to Shut Down of Operations, or Verbal Warning. For consistency unique numbers will conform as follows:

1. Fiscal Year (08 for 2008)
2. Inspectors Initials capitalized (first name and last name)
3. Sequential numbers beginning with 0001 for each FY
4. Last, a capital letter for the type of action (I=INC, S=Shut Down of Operations, V=Verbal Warnings, W=Written Order, A=Assessment, C=Civil Penalty)

NOTE: In issuing another INC for an uncorrected violation or when the severity changes from Minor to Major, close the first INC record by entering a correction date that corresponds to the issuance date of the second INC. When issuing a second INC with an assessment for an uncorrected violation, enter the same INC number as the first violation notice with an "A" designation on the end. If the violation goes to civil penalties, change the unique INC number to a "C." This will allow you to more easily track and recall all of the actual enforcement actions taken for a particular violation.

- Certified Mail
- Hand Delivered:** Select the appropriate option. The default option is Certified Mail.

CM RRR# /Delivered to: This corresponds to the selection above. Enter the Certified Mail receipt number, or the name of the person to whom the INC was delivered.

Inspector: Select the appropriate inspector name from the pull down picklist.

Type: Select the appropriate type of INC - operative or administrative.

INC Action Type: Select the appropriate option. Choices are: INC, Written Order, Verbal Warning, or Shut-Down Order.

INC Id Date: Enter the date the violation was identified.

INC Id Tm: Enter the time the violation was identified. (AFMSS format: 0800 for 8 a.m., 1300 for 1 p.m., etc.).

INC Eff. Date: Enter the date as 7 business days after the INC will be mailed, or the date the operator receives the notice if the notice was hand delivered.

Shut Dn Date: If appropriate, enter the date operations were shut down.

Authority Reference: Enter the appropriate CFR, Onshore Order reference, approved permit reference or COA item number. Be as specific to the nature of the violation as possible.

Act Type: Select the type of inspection or activity code that indicates the inspection that was being conducted when the violation or problem was found.

Description: This automatically populates with the description you have selected for the INC Type below.

INC Type: Select the appropriate description for the type of violation that has been identified. For example, if a well sign is missing, select the description "Location is not properly identified." To correctly identify those instances where the BLM requested that the operator submit paperwork (for example, Sundry Notices, Well Completion Reports, production record requests, and so on) use Item 51 from the listing. See Appendix 5 for information on recommended INC Type/Category designations.

Category: The category will default to the appropriate code based on the INC type selected above. Review the code to ensure it is appropriate for the type of violation.

F - FOGRMA (production related)

N - NON-FOGRMA (for example, well signs, etc.)

E - Environmental

See Appendix 5 for information on recommended INC Type/Category designations.

Gravity: Select the appropriate code:

Major (Noncompliance that causes or threatens immediate, substantial, and adverse impacts on public health and safety, the environment, production accountability, or royalty income).

Minor (Noncompliance that does not rise to the level of a "major" violation).

Abatement: Enter the date the corrective action is to be completed. This date must be entered before printing and mailing the INC to inform the operator of the date the action is to be completed.

Trm Lse: If termination of the lease is considered appropriate, select the option that indicates the AO's action.

Y – Yes

N – No

BLANK – not applicable (default)

INC TEXT TAB

The entry field on this screen is where you must enter the text that will print on the forms. The text must contain language to tell the operator what the violation is and what must be done to correct the violation. For example, “No well sign on location. Install well sign with all of the required information per 43 CFR...”

NOTE: Do not enter any remarks that are not pertinent to the operator and are for internal tracking or internal information. This text will print on the form. A method for entering internal remarks is discussed below.

ASSESSMENT/PENALTY TAB

Amount Assessed: Enter the assessment amount to be paid by the operator in whole dollars, that is, \$250, not \$250.00.

Amount of Penalty: Enter the amount of the civil penalty in whole dollars. Do not enter administrative fees or interest that result from an assessment.

Assessment Schedule: Select the appropriate schedule for the assessment.

S – Single payment

P – Per day payment

BLANK – not applicable

Assmt Reference: Select the appropriate 43 CFR 3163 reference that applies to this assessment.

b – 43 CFR 3163.1(b)

a1 – 43 CFR 3163.1(a)(1)

a2 – 43 CFR 3163.a (a)(2)

RESOLUTION TAB

Date Corrected: When you have been notified that the violation or problem has been corrected, or a field visit has verified correction, enter the correction date.

NOTE: In issuing another INC for an uncorrected violation or when the severity changes from Minor to Major, close the first INC record by entering a correction date that corresponds to the issuance date of the second INC. When issuing a second INC with an

assessment for an uncorrected violation, enter the same INC number as the first violation notice with an “A” designation on the end. If the violation goes to civil penalties, change the unique INC number to a “C.” This will allow you to more easily track and recall all of the actual enforcement actions taken for a particular violation.

Exten Date: The AO may extend the abatement date for the violation, up to three extensions. As any extensions are granted, enter the extension date(s) for the violation, if appropriate.

Follow-Up Date: Enter the date when follow-up occurred to ensure that the violation has been corrected. If a field visit was made, enter the date a follow-up inspection was conducted. If no field visit was made enter the date paperwork was reviewed in the office.

Trips: Optional. If a follow-up must be accomplished by field visit(s), enter the number of follow-up trips conducted to ensure that the violation was corrected. If an office review was used as a follow-up, leave this field blank.

SDR Filed: If a State Director Review (SDR) is requested by the operator, enter the date that the operator filed a request.

SDR No.: Enter the number assigned to the SDR.

Appeal Date: If the operator files an appeal to the IBLA, enter the date the appeal is filed.

IBLA No.: Enter the number assigned by IBLA.

Follow-Up Remarks: Enter remarks that pertain only to the follow-up for this notice. Follow-up remarks are required if a follow-up date is entered.

REMARKS BUTTON

Text that was entered under the INC Text Tab will print on the *Notice of Incidents of Noncompliance*, Form 3160-9, the *Notice to Shut Down Operations*, Form 3160-12, and the *Notice of Written Order*, Form 3160-18 as appropriate with the selection of the “INC Action Type” discussed earlier. Those remarks will be displayed on the Remarks screen with the appropriate category code. Also, any follow-up remarks entered under the Resolution Tab will also be displayed on the Remarks screen with the appropriate category. The entry of other remarks for internal purposes is optional and should only be entered **after** the form has been printed. Any remarks in the “General” category will print on the form.

If internal remarks are desired, use the Remarks button to enter the INC Remarks (IEP.43r) screen. **CLICK THE “ADD NEW” BUTTON PRIOR TO ENTERING**

REMARKS. Select the appropriate “Category” code – General or Follow-up. The “Remark Date” will fill with today’s date. It may be changed if necessary.

Enter remarks into the large text field. Indicate that these are internal or subsequent remarks and they are not to be printed on the form. SAVE the remarks.

In the display above these fields, there are eight columns which show all remarks associated with this notice.

Identifier: Displays the Unique INC Number assigned to each record.

Date: Displays the date the remarks were entered/saved.

Author: Displays the name of the person who entered the remarks.

Subject: Displays INC, even though the remarks can be associated with a Written Order, etc.

Category: Will display either General or Follow-up.

API/Fac ID: Displays the API Number for the well or Facility ID for the facility associated with this notice. If multiple wells/facilities were selected, it will display “Various.”

Well/Fac Name: Displays the Well Name or Facility Name associated with the notice. If multiple wells/facilities were selected, it will display “Various.”

Number: Displays the well number for the API Number associated with the notice. If multiple wells were selected, it will display “Various.”

To view remarks listed in this display, click on the desired row and the corresponding remarks will be displayed in the text field below.

Association of Remarks to Records within AFMSS

When remarks are entered, there are three options available for the association of the remarks to various documents within AFMSS.

* This INC only – all remarks entered for a specific notice will only be associated for this particular record. THIS IS THE DEFAULT SELECTION AND IS RECOMMENDED FOR THE MAJORITY OF NOTICES. The remarks for this notice will only be displayed in the Remarks screen for the notice.

All INCs for Case and Operator – This option can be used if you wish to associate the remarks for the notice to all other notices for the Case/Operator.

All INCs for Same Wells/Facilities – This option can be used if you wish to associate the remarks for the notice to all general remarks for wells/facilities selected for the current notice.

Remark Display

Three additional options are available on the Remarks screen. These options affect the display of remarks associated with the Case/Operator for the current notice.

To view the remarks associated to inspections or undesirable events, associated wells and facility records, and/or associated Sundry Notices for the Case/Operator the INC is associated with, click in the box to turn these options on. Click on the “Query” button and all remarks will be displayed. You may select one or more of these selections.

M. INC CATEGORY CODES

The following list of violation types contains the recommended category default. Users are encouraged to refer to this listing to ensure consistent application of the Category designation for compliance rating purposes.

Users will be able to edit the INC category field as necessary to meet site-specific conditions.

AFMSS automatically sets the INC Category Code to the appropriate classification listed below. However, it will be necessary to verify the code when documenting compliance actions. The INC Category Codes are:

F = FOGRMA-related
N = Non-FOGRMA
E = Environmental

N. PROCEDURES FOR COLLECTION OF ASSESSMENTS AND PENALTIES FOR NONCOMPLIANCE ON FEDERAL AND INDIAN OIL AND GAS LEASES

1. Overview/General Requirements

If a *Bill for Collection*, Form 1371-22, is sent to the operator and the operator fails to pay the amount owed, the FO will send a demand letter to the operator. If the operator fails to make payment within the time allotted, the lease can be shut down (for Indian leases, only upon concurrence of the appropriate BIA office, tribe and allottee as appropriate), and a second demand letter will be sent. If the operator fails to make payment within the timeframe allotted in the second letter, the BLM will attach the bond for the amount owed without further notice.

If lease shutdown or bond attachment is not available or advisable (for example, the lease is already shut down, there are other higher priority demands on the bond, or the Indian lessor does not support such action, etc.), the BLM may be able to collect the outstanding debt through administrative offset or litigation against the operator. The BLM also may pursue lease cancellation as a result of continued noncompliance.

The following procedures provide detailed guidance on collecting outstanding assessments/civil penalties. This guidance modifies existing guidance found in the debt collection portion of the BLM *Collections Reference Guide*. The modification applies only to outstanding debts from noncompliance on Federal and Indian oil and gas leases. Detailed guidance for attachment of a bond is found in the Fluid Minerals Bond Processing User Guide, formally referred to as the 3104-1 *Bond Manual and Handbook*.

2. Steps for Issuing a Billing Notice for Assessments or Civil Penalties

- a. When an INC or an order of the AO has been issued and an assessment and/or civil penalties have resulted, a Bill for Collection, Form 1371-22, is to be sent to the operator. A bill for an assessment can be sent with the INC notice; however, by regulation civil penalties cannot be assessed/billed until the party charged with the violation has either elected not to appeal the notice or has exhausted all appeal rights.

In order to determine whether bills originated from assessments or civil penalties on Federal or Indian leases, the preprinted alpha prefix "A" in the bill number is to be changed to an "I" for Indian Leases.

The bill must include:

- Lease Number;
 - INC Number;
 - Due Date (30 days from receipt);
 - A statement that failure to pay will result in additional enforcement actions, including civil penalties, lease shutin and/or attachment of the bond; and
 - A statement that failure to pay and subsequent attachment of the bond may also put the lease in jeopardy of cancellation (43 CFR 3104.7, 3108.3, and 3163.1(a)(5) for Federal leases and 25 CFR 211.27, 212.23, 213.40 or 225.36 for Indian leases).
- b. The FO shall mail the bill to the operator by certified mail, return receipt requested, with a courtesy copy sent to the lessee(s) and the party holding the surety bond. If the lease is an Indian lease, the appropriate BIA office shall also receive a copy.

- c. After the bill is sent, the operator has 30 days from receipt of the bill to make payment. If, after 30 days, the operator fails to pay the assessment/civil penalty, a demand letter must be sent (refer to items VI.N.3 and 4 for demand letter instructions). Under normal circumstances the BLM will shut in the lease before the BLM takes steps to attach the bond, initiate litigation, or begin lease cancellation. Prior to shut in, however, the AO may take into consideration such things as operator history, number and amount of outstanding assessments/civil penalties, BIA concurrence if applicable, lease production, and existing bond coverage in deciding the appropriate action to take.

Examples of when shutdown action should not be initiated include cases where the lease is already shut down for other infractions or is in a temporarily abandoned status, the BIA does not support the shutdown of an Indian lease, shutdown would result in damage to the well or loss of resources, or the lease is in bankruptcy and the trustee does not allow shutdown. If the lease situation does not meet these examples, then the FO should proceed with shutdown procedures.

Since continued operator noncompliance will result in additional enforcement actions ranging from lease shutdown to lease cancellation, it is important that the lessee of record is made aware of pending enforcement activities. As such, the lessee(s) shall receive copies of the bill and all subsequent correspondence to the operator.

3. First Demand Letter

- a. The first demand letter is to be sent to the operator by certified mail, return receipt requested, with a copy sent to the lessee and the party holding the bond. The letter shall include information that the payment is due 15 days from receipt and a statement that failure to pay the assessment/civil penalty, plus handling charges and accrued interest, will result in lease shutdown. The demand letter must also provide information on appeal rights under 43 CFR 3165.3(b).

In the case where lease operations are already shutdown due to nonabatement, the FO is to start with the second demand letter.

- b. If an Indian lease is involved, the BLM must consult with the BIA prior to sending out the letter to determine if lease shutdown is an acceptable option to the tribe or allottee. If it is acceptable, the operator is to be reminded that the lease may be terminated if production ceases as provided for in the lease terms.
- c. For Federal leases, a copy of the first demand letter must be sent to the appropriate fluid mineral adjudication personnel in the state office to place in the lease case file and to the surety company or party holding the personal bond at the time the bond demand is made. If Indian leases are involved, the appropriate BIA office must receive a copy.

- d. The operator has 15 days from receipt of the first demand letter to make the payment. If the operator has not made payment after 15 days, the BLM may shutdown lease operations using BLM Form 3160-12, *Notice to Shut Down Operations*. The operator then has 30 days from receipt of the *Notice to Shut Down Operations* to make payment. If payment is not received, the BLM will send a second demand letter. Failure to comply with the second demand letter will also result in assessments or civil penalties.

4. Second Demand Letter

- a. If lease operations have been shutdown and the operator has not responded within the specified timeframe (30 days), a second demand letter shall be sent to the operator by certified mail, return receipt requested, with a copy sent to the lessee and the party holding the bond. The second demand letter shall state that the operator has 15 days from the date of receipt to make the payment and that it is the final notice before the BLM/BIA takes action to attach the bond under which operations are being conducted.

The letter shall include a statement that failure to pay will result in:

- (1) A request for payment by the surety or collection from other collateral posted as bond (after elapse of 15 days from date of receipt), and
 - (2) If the amount owed is not fully covered by the bond, any amount outstanding after the attachment of the bond shall be reported as income to the Internal Revenue Service on Form 1099-G, *Certain Government Payments*.
- b. For Federal leases, a copy of the second demand letter must be sent to the appropriate fluid mineral adjudication personnel in the state office to be placed in the lease case file. Adjudication is required to send a copy of the letter to the surety company or party holding the personal bond at the time the bond demand is made. When the adjudication staff makes the decision to attach the bond, copies must be directed to the lessee, operator, surety company, and principal or the party holding a personal bond. If Indian leases are involved, the appropriate BIA office takes the necessary action to attach the bond.

5. Attachment of Bond

If the operator fails to pay the assessment and accrued interest within 15 days after receipt of the second demand letter, the following steps are to be taken:

- a. For Federal leases, the BLM FO requesting bond attachment must send a memorandum to the appropriate state office fluid minerals adjudication personnel to initiate attachment of the bond for the outstanding amount. The bond to be

attached is the bond under which the operations are conducted whether it is the operator's or lessee's bond. The standard procedures found in the *BLM Interim Guidance Handbook*, H-3104-1, Bonds, are to be followed. Notification to other agencies, such as the Minerals Management Service (MMS), that the BLM will be attaching the bond must be made. For Indian leases, the BLM FO shall send a letter to the appropriate BIA office with a request that the bond be attached.

- b.** After the bond has been attached, the principal/obligor has 6 months, or less at the discretion of the AO, to restore the bond to the face amount, post a new bond, or to establish alternate bonding coverage for the operator (see 43 CFR 3104/7(b)). The AO may require an increase in the amount of bond whenever it is determined that the operator poses a risk, as provided in 43 CFR 3104.5(b) or in 25 CFR 211.6(c), 212.10, 213.15(c) or 225.30(e). If the bond is not re-established as required, lease operations shall remain shutdown and the lease may be subject to cancellation under the provisions of 43 CFR 3108.3 for Federal leases, and 25 CFR 211.27, 212.23, 213.40 or 227.28 for Indian leases.

6. Surety Fails to Pay

In accordance with the *Interim Guidance Handbook*, H-3104-1, Bonds, failure of a surety company to submit payment will result in a BLM recommendation to the Department of the Treasury for removal of the surety from the list of certified, acceptable sureties. See section 10 below for referring the case to the Department of Justice for litigation.

7. Bankrupt Entities

Bankruptcy proceedings do not stop the BLM's regulatory responsibilities. If violations are discovered and they are not abated timely, assessments and civil penalties shall be imposed. Close coordination with the regional or field solicitor's office is required for liabilities involving bankrupt parties. The bankruptcy court must be notified by the state office minerals adjudication personnel through the regional or field solicitor's office that the bond is being attached. If a bankrupt operator has incurred assessments and/or civil penalties and has failed to pay, the bond covering the operations is to be attached with an information copy provided to the regional or field solicitor's office.

8. Credit Bureau Reporting

If there is still a portion of the debt outstanding after the bond is attached or if for some reason the bond is not attached, the FO must send written notification to the National Operations Center (NOC), Division of Business Services, requesting that the details of the debt be reported to the appropriate credit bureaus.

9. Administrative Offset

The use of an administrative offset procedure allows agencies to collect debts from monies that otherwise would be refunded to the debtor for overpayment to other Federal agencies such as the MMS or the Internal Revenue Service. Although this procedure is not widely used at this time, opportunities for administrative offset should be pursued where available. Contact the NOC, Division of Business Services, concerning administrative offset.

10. Litigation

In instances where there is no appeal pending, the statute of limitations has not been exceeded, and the amount due and the right to collect the debt are clear, the Department of Justice (DOJ) has established a system of direct referral making it unnecessary to send a request to the regional or field solicitor's office to initiate litigation. Using this process, debts over \$600 can be referred to the DOJ's National Center Intake Facility (NCIF) for litigation. The DOJ will consider litigation for amounts under \$600 if it is important to the enforcement of some agency program (see Page 2 of 7, Claims Collection Litigation Report (CCLR) Instructions). Although debts can now be referred directly to the DOJ, the regional or field solicitor's office is to be advised that such action is being taken.

- a.** The DOJ *Litigation Referral Process Handbook* should be reviewed carefully. When referring a debt to the DOJ, it is important that the 7-page CCLR, exhibit 3 in the handbook, be filled out as completely as possible. Instructions for completing it are on the back of the form. Items 1, 3, and 4 of the form are particularly important to facilitate timely distribution of the claim and to ensure that all correspondence from the NCIF and U.S. Attorney is sent to the appropriate BLM office.

 - (1) Item 1 is the agency claim number: enter the document identification number from the *Bill for Collection* (Form 1371-22).
 - (2) Item 2 is an address block: enter the address of the U.S. Attorney's Office.
 - (3) Item 3 is a return address block: enter the address of the BLM office initiating the claim.
- b.** The CCLR package must also contain certain other information (see page 5 of the CCLR), including a credit report. The NOC, Division of Business Services is to be contacted to obtain credit bureau information. Fees for credit reporting must be added to the amount due. In order for credit bureaus to provide the most accurate and up-to-date information possible, the BLM must be able to supply them with a company (or individual's) name and current address. If the taxpayer identification number (TIN) or social security number (SSN) is available, it also is

to be provided. Although the BLM does not require lessees or operators to provide a TIN/SSN, this number may be available from the Debt Collection Section of the MMS, Accounts Receivable Division.

Additional sources of financial information include State Corporation Commissions and special credit bureau reports such as business profiles. Questions relating to the administrative aspects of the direct referral process or forms that are to be submitted can be directed to the NCIF at 301-585-2391.

- c. At the point that the debt is referred to the DOJ, all other agency collection actions for that debt must cease. When the NCIF receives a referral, NCIF screens the referral prior to legal action. Once the referral has been screened and accepted, the NCIF sends an acknowledgment of receipt to the client agency. The package is then forwarded to either the U.S. Attorney or private counsel, on contract to the DOJ, for action. Any payments that are collected as a result of such action are deposited to a DOJ lockbox at a bank in Atlanta, Georgia. The bank processes the payments, wires the funds directly to the appropriate departmental account, and provides any necessary follow-up information to the NCIF. The NCIF is able to provide its client agencies with reports on the debts referred, the litigating office handling the debt, and information on the disposition of closed debts.
- d. If there is some question as to whether litigation should be pursued through the solicitor's office or by direct referral to the DOJ, or if there is some uncertainty regarding the legal existence or legal merits of the debt, the solicitor's office or local U.S. Attorney's Office is to be consulted.

11. Uncollectible Assessments/Civil Penalties

- a. When bankruptcy is not involved, or there is no bond, and all available steps have been taken, the matter is to be turned over to the regional or field solicitor's office for final determination that the debt is uncollectible.
- b. If the solicitor's office makes a determination that the debt is uncollectible and recommends that the debt be written off, the case is to be turned over to the NOC, Division of Business Services, for official write-off. A *Cover Sheet for Write-Off* (Form 1370-45) must be submitted by the SD to the NOC to write off a debt. In the comments section (item number 19) a notation is to be made that the data is to be sent to the credit bureau and the amount being written off will be reported as income to the Internal Revenue Service.
- c. The Division of Business Services will notify the Internal Revenue Service via Form 1099-G, *Certain Government Payments*, that the amount of uncollected debt is to be considered income for tax purposes.

12. Lease Cancellation

- a.** For a Federal lease, if the decision is made to initiate lease cancellation, the regulations at 43 CFR 3108.3 provide that a lease may be canceled by the Secretary only if the leasehold does not contain a well capable of producing in paying quantities, or the lease is not committed to a unit or communitization agreement that contains a well capable of production of communitized substances in paying quantities. If the lease does contain such a well or is committed to an agreement with such a well, the lease may be canceled only by judicial proceedings in Federal court. The state office fluid minerals adjudication personnel handle lease cancellation proceedings (see Handbook 3108.1).
- b.** For an Indian lease, the BLM shall make a recommendation to the BIA that the lease be canceled under the appropriate sections of Title 25 CFR.

13. Appeals Process

The filing of a request for an SDR will not result in the suspension of the requirement for compliance or stop the accumulation of assessments or civil penalties unless the State Director so determines.

In some instances, the timing of a SDR decision may occur on or shortly after the deadline for payment if the operator waits until the last minute to file an appeal. The FO actions from this point will be contingent upon the decision rendered by the SD. Questions from FOs may arise on whether or not to continue pursuing payment until the decision is rendered. Such questions should be directed to the state office for resolution. In most cases, FOs shall continue pursuit of payment of the assessments/civil penalties in a timely manner despite the filing of an appeal.

**VII. INSTRUCTIONS FOR USE OF LETTER FORMAT FOR INCIDENT OF
NONCOMPLIANCE (INC) and ORDER OF THE AUTHORIZED OFFICER (Order)**

In section VI **Oil and Gas Program Enforcement Procedures**, parts C and D provide for the basic requirements of formal notification for violations or problems. The policy requires notification to be issued using either the AFMSS forms (INC or Order) or a letter format.

The use of the letter format for issuing INCs, Written Orders, or a combination of INCs and Orders presents unique challenges to those issuing the letter, the operators, and if a State Office Review is requested. In order for the letter format to be effective in gaining compliance and supportable upon review or appeal, certain standards must be followed.

The following information outlines 1) mandatory elements that must be included in the letter format and 2) recommended practices when using a letter. An example letter format can be found in Appendix 4 Forms.

A. MANDATORY ELEMENTS

All letters used to notify an operator of any problem or violation must contain the following information:

1. When using mailing services, the letter must be sent via certified mail using the return receipt request. The letter must include the certified mail number and indicate return receipt requested.
2. Operator's² or appropriate party's company name and address.
3. Whenever possible the salutation (e.g., Attention: John Smith) should be addressed to a specific person or the appropriate designated representative.
4. Announce the purpose of the letter in bold, capitalized, underlined, and centered text:
 - a. **NOTICE OF INCIDENT OF NONCOMPLIANCE (INC)**,
 - b. **NOTICE OF AN ORDER OF THE AUTHORIZED OFFICER**, or
 - c. both **NOTICE OF INCIDENT OF NONCOMPLIANCE (INC) and ORDER OF THE AUTHORIZED OFFICER**.

Note: Use of the letter format without the emphasized text has been a source of dispute, argument, and problems sometimes ending in review or appeal. The objective of the emphasized text is to ensure there is no confusion on the part of those receiving

²Operator is defined by 43 CFR 3160.0-5, as "... any person or entity including but not limited to the lessee or operating rights owner, who has stated in writing to the authorized officer that it is responsible under the terms and conditions of the lease for the operations conducted on the leased lands or a portion thereof."

- the letter as to the purpose and importance of the notice. The use of the emphasized text avoids possible miscommunication and misunderstandings on the part of the operator and supports the letter format if appealed.
5. Legal Identification Information:
 - a. Lease or agreement number, well or facility name and/or number, legal location information (township, range, ¼-¼, county, state, etc.).
 - b. Letters that identify multiple problems and/or violations must include the legal identification information for every separate lease, agreement, well, or facility for each problem and/or violation identified.
 - c. For approved off-lease operations/facilities with problems or violations, the letter must include both the legal identification information for 1) the off-lease facility and 2) appropriate well(s), facility(s), lease(s), and/or agreement(s) that are connected to or affected by the off-lease facility problems and/or violations.
 6. Date and time of the inspection in which a particular problem or violation was found. Again, when multiple problems and/or violations are listed in the letter that involve differing dates or times, each problem and/or violation or group thereof must indicate the appropriate date and/or time when discovered.
 7. Each individual INC or Order identified in the letter contains the following information:
 - a. A unique number;
 - b. A clear and concise description of the problem or violation;
 - c. Most appropriate regulatory citation or authority (CFR, Onshore Order, Notice to Lessees (NTL), Conditions of Approval (COA), etc.) for the problem or violation. Do not cite the BLM policy or guidance;
 - d. The corrective action for each individual Order or INC. Do not stipulate how to correct the problem or violation, unless existing regulatory authority (lease stipulations, COAs, NTLs, Onshore Orders, etc.) provides specifications for correction;
 - e. The abatement date or time for correction of each specific Order or INC;
 - f. Company representative's signature and date lines for each Order or INC (this is to be used by the operator to certify when the violation or problem was corrected);
 - g. Each INC listed must be assigned the appropriate gravity determination; and
 - h. Each INC, when required and applicable, must assign the proper assessment amounts.
 8. Each Letter must include both complete **“WARNING”** and **“REVIEW AND APPEAL RIGHTS”** paragraphs from the INC/Order form.

9. Date and signature of the appropriate AO.

Note: Check your local delegation of authority identified in the 1203 BLM manual under BLM form No. 1221-2.

In addition, 43 CFR 3165.3(a) *Notice*, requires BLM to notify "...an operating rights owner or operator, as appropriate, [on any failure] to comply with any provision of the lease, the regulations in this part, applicable orders or notices, or any other appropriate orders of the authorized officer, written notice shall be given the appropriate party and the lessee(s) to remedy any defaults or violation." This citation (3165.3(a)) also allows, under certain circumstances, notice to be given to any "...person conducting or supervising operations subject to the regulations in this part..." for major violations, and "...any contractor or field employee or designated representative..." for minor violations. When notice is provided in this manner, a copy must also be mailed to the operator.

B. ENTRY INTO AFMSS

Each uniquely numbered INC and/or Order must be individually entered into AFMSS as directed in section VI.

C. ADDITIONAL RECOMMENDED PRACTICES

Use of the letter format to issue corrective actions for problems or violations, as discussed earlier, has caused confusion and frustration for both the operator and the BLM. These situations have occurred mainly due to how a letter was constructed and/or assumptions about how the instructions will be interpreted. Many of these problems and issues arise when multiple INCs, Orders, or a combination of both are addressed in the letter; or information, like those items required above, is not included in the letter. In an effort to prevent potential problems when using the letter format for enforcement and compliance actions, the following recommendations are provided:

1. When addressing multiple problems and violations for one object on a location, itemize the individual problems and/or violations separately, as required in item A.7 above. They could be listed under one heading, preferably, rather than combining them into one Order of the Authorized Officer or INC. For example, on an older facility with very few COAs you might find:

Disposal Pit:

Order of the Authorized Officer:

1. Clean trash from pit
2. Clean up oil-stained dirt within pit enclosure
3. Install flagging per Gold Book standards for wildlife protection

Incident of Noncompliance:

1. Repair fence to standards required in item 9 in the APD COAs
2. Remove all fluids from the pit per Order No.7 emergency pit approval
2. When issuing both Orders and INCs in the same letter, use separate headings, as shown above, to clarify to the operator which items are violations (requiring INCs) and which items are Orders of the Authorized Officer.
3. Use only the most applicable and specific regulatory authority that applies to the violation or problem. Normally, this would mean only one citation would be used. If multiple citations are used, the problem or violation must be reviewed to ensure there is not more than one violation or problem involved in the action.
4. Unless specifically required by some type of requirement (COA, NTL, Onshore Orders, etc.), the description of the corrective action must not instruct operators in a specific manner on how the issue must be fixed. The method an operator uses to accomplish the correction is up to the operator, as long as the problem or violation is corrected. If the BLM were to require a specific method of correction not specified by an existing requirement, and the method failed, the BLM could be held liable for damages.
5. Policy and guidance document(s) should never be cited as a requirement with which an operator must comply or a method for correction. Policy and guidance are strictly BLM internal instructions on how its responsibilities should be conducted and have no legal bearing on the oil and gas operator.
6. Be as clear and concise as possible in directions to the operator. Do not assume that an operator necessarily will know or understand what you are attempting to describe. Consider having non-oil-and-gas personnel review your letter to see if they understand what is being conveyed.

Note: In most instances the use of the letter format is limited to INCs or Orders that involve an entire AFMSS case for example: An Order to submit production records.

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STRATEGY DEVELOPMENT HANDBOOK (Internal)**APPENDIX 1 INSPECTION TYPE AND ACTIVITY CODES****A. Inspection Type Codes and Definitions****1. Production Inspection Type Codes**

PI - Production Inspection: An inspection that, at a minimum, includes measurement, environmental, site security, and health and safety inspection activities as well as a records review of monthly production data.

RV - Records Verification Review: An office-only review of production records.

OV - Oversight Inspection: An inspection performed independently to verify results of previous inspections by local or remote inspection personnel. This may be an office review of inspection documentation or field inspection.

TH - Alleged Theft Inspection: An inspection that is triggered by a report of alleged theft of production.

2. Well Specific Inspection Type Codes

DW - Drilling Well: An inspection related to drilling operations prior to well completion up through cementing of the production casing/liner.

ES - Environmental Inspection: An inspection of the surface environment of a well or facility location. Environmental Inspections are documented for all post-approval activities such as pad construction, drilling, production, or abandonment operations. Pre-approval onsite inspections are recorded under the *Surface Review (GLB.80)* screen in AFMSS and not under this Inspection Type.

NU - Undesirable Event Inspection: An inspection conducted as a result of a reported undesirable event in accordance with *Notice to Lessees and Operators of Onshore Federal and Indian Oil and Gas Leases (NTL-3A)*.

PD - Plugging Operations Inspection: An inspection of plugging operations of dry holes or depleted producers.

WK - Workover Inspection: An inspection of operations conducted on a wellbore subsequent to cementing production casing/liner and prior to plugging operations.

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B. Inspection Activity Codes and Definitions

BO - Blowout Prevention Equipment (BOPE) Inspection: (Well specific) A drilling, workover, or plugging activity to witness BOPE tests. Coded as DW/BO, PD/BO, WK/BO or OV/BO.

C - Cementing Well Inspection: A drilling or workover activity consisting of witnessing cementing activities. Coded as DW/C, WK/C, or OV/C.

CS - Casing Test Inspection: A drilling or workover activity consisting of witnessing a casing test in any type of well. This includes pressure tests (mechanical integrity tests), mud weight equivalency tests, or any tests for temporarily abandoned or injection/disposal well approvals. Coded as DW/CS, WK/CS, or OV/CS.

CV - Gas Chart/EFM Verification: Field observations used to calculate reasonableness of reported volumes on the OGOR and to verify that the recorder or electronic flow meter (EFM) is functioning properly and recording correctly; or an office review of gas meter charts or EFM configuration and/or integration reports not associated with a PR or RR activity that includes calculating the volume from the charts or integration statements and comparing the volume to the OGOR. Coded as PI/CV, RV/CV, OV/CV, or TH/CV.

DI - Detail Drilling/Workover: A detailed activity of all ongoing drilling well operations, and completion of all applicable sections of the Drilling Inspection Record (Form 3160-10), including the General and Surface Use portions of the form. Coded as DW/DI, WK/DI, or OV/DI.

DS - Drill Stem Test: An activity related to witnessing DST operations. Coded as DW/DS or OV/DS.

FA - Fires/Accident: An activity of an Undesirable Event of a fire or a reportable accident involving personnel per NTL-3A. Coded as NU/FA or OV/FA.

HS - Health and Safety Inspection: An activity required for health and safety concerns (e.g., H₂S or hazardous materials). Coded as DW/HS, ES/HS, PI/HS, PD/HS, WK/HS, or OV/HS.

IR - Surface/Environmental - Interim Reclamation: An activity for the surface/environment of the reclaimed area of a pad location. Initial inspection should take place within 6 months after the well is completed for production (per Onshore Order No. 1). Coded as ES/IR.

LV - LACT Run Ticket Verification: An activity to witness a LACT meter calibration which includes S&W grind out, gravity determination, meter readings,

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and/or preparation of run tickets associated with that sale. Coded as PI/LV, TH/LV, or OV/LV.

MC - Meter Calibration: An activity to witness a meter calibration, including the evaluation of the calibration report for completeness and meter accuracy; or an office review of meter calibration report(s) that includes calculating percent of meter error (see attachment 5 for determining volume discrepancy or calculating meter error). Coded as PI/MC, RV/MC, TH/MC, or OV/MC.

MP - Meter Proving: An activity to witness a meter proving, including the evaluation of the proving report for completeness and meter accuracy; or an office review of meter proving report(s). Coded as PI/MP, RV/MP, OV/MP, or TH/MP.

NI - Nondetailed Drilling/Workover Inspection: At a minimum, an activity for and completion of the first two sections of the drilling/workover inspection record, Form 3160-10. Includes inspection of any drilling/workover operations that have not progressed to the point where the applicable section can be completed entirely. Coded as DW/NI, WK/NI, or OV/NI.

PD - Plugging of a Depleted Producer/Service Well: An activity to witness the plugging operations of a depleted producer or service well. Coded as PD/PD or OV/PD.

PN - Plugging of a Dry Hole: An activity to witness the plugging operations of a nonproductive well. Coded as PD/PN or OV/PN.

PR - Production Records Review: An office review of all production records associated with a case (including but not limited to OGORs, run tickets, gas charts, integration statements, calibration/proving reports, volumes calculations, flaring/venting approvals, etc.) **for a given reporting period.** If a volume discrepancy is detected during a PR, the specific record should be identified in the remarks section. Coded as PI/PR, TH/PR, or OV/PR.

PT - Production Test: An activity conducted on a well basis. This activity is to verify test production and ensure proper reporting of these volumes to MMS. This activity is required during or after drilling operations, but prior to the completion of the well. Coded as DW/PT.

RD - Variable Royalty Rate Determination: An activity to verify well status and determine well count; or an office-determination of well count and royalty rate based on OGOR information. Coded as PI/RD, RV/RD, TH/RD, or OV/RD.

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RR - OGOR Review: An office or field review of the OGORs as part of a PI or RV. If a complete records review is conducted under a PI, as defined under the PR activity, this code is not used. Coded as PI/RR, RV/RR, TH/RR, or OV/RR.

SA - Surface/Environmental - Abandonment: An activity of the surface/environment of abandoned well site reclamation in progress or completed. Coded as ES/SA, PD/SA, or OV/SA.

SC - Surface/Environmental - Construction: A post-approval environmental activity of a well location prior to well spud. This includes well pad construction activities. Coded as ES/SC or OV/SC.

SD - Surface/Environmental - Drilling: An activity of the surface/environment of a well being drilled. Coded as DW/SD, ES/SD, or OV/SD.

SP - Surface/Environmental - Producing: An activity of the surface/environment of a producing, shut-in, temporarily abandoned, or service well and/or facility. Coded as PI/SP, ES/SP, or OV/SP.

SS - Site Security: An activity of seals, valves, meter bypasses, and site facility diagram for a production facility(s); or an office review of the site facility diagram for completeness. Coded as PI/SS, RV/SS, TH/SS, or OV/SS.

SV - Spill/Venting: An activity of an Undesirable Event involving spills or venting of gas as a result of equipment failure or other accidents. Includes blowout inspection or loss of control of a well per NTL-3A. Coded as NU/SV or OV/SV.

T - Well Test Inspection: An activity related to witnessing or reviewing records of a well test. Coded as DW/T, PI/T, RV/T, or OV/T.

TG - Tank Gauge: An activity to witness or independently perform a tank gauge for sales, including run ticket verification; or conducting an independent tank gauge to establish a production rate to determine reasonableness as compared to the OGORs. Coded as PI/TG, TH/TG, or OV/TG.

TR - Transporter and/or Manifest Inspection: An activity to review the transporter's manifest. Coded as PI/TR, TH/TR or OV/TR.

TV - Run Ticket Verification: An office review of run tickets that includes calculating the volume and comparing to the OGOR. Coded as PI/TV, RV/TV, TH/TV, or OV/TV.

WS - Well Status Check: An activity to verify the actual status of a well compared to the reported status. This activity is used when the primary purpose of the inspection is to

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check a well status, which may be part of the idle/orphan well initiative. Do not record as a separate inspection activity if a status check is conducted in conjunction with other inspection activity types. Coded as PI/WS, ES/WS, TH/WS, or OV/WS.

C. Valid Inspection Type / Activity Code Cross Reference Table

Valid Inspection Type and Activity Codes		
Production Inspection	Inspection Type Code	Inspection Activity Code
Tank Gauge	PI	TG
Meter Proving	PI	MP
Meter Calibration	PI	MC
Site Security	PI	SS
Environmental	PI	SP
Gas Chart Verification	PI	CV
Run Ticket Verification	PI	TV
Production Records Review	PI	PR
LACT Run Ticket Verification	PI	LV
Health and Safety	PI	HS
Transporter and/or Manifest	PI	TR
Well Test	PI	T
Variable Royalty Rate Det.	PI	RD
OGOR Review	PI	RR
Well Status Check	PI	WS

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Valid Inspection Type and Activity Codes		
Drilling Inspections	Inspection Type Code	Inspection Activity Code
Detailed Drilling Inspection	DW	DI
Non-detailed Drilling Inspect.	DW	NI
BOPE Test	DW	BO
Cementing	DW	C
Casing Test	DW	CS
Drill Stem Test	DW	DS
Environmental	DW	SD
Production Test	DW	PT
Health and Safety	DW	HS
Plugging Inspections	Inspection Type Code	Inspection Activity Code
Environmental	PD	SA
Plugging - Dry Hole	PD	PN
Plugging - Depleted Producer	PD	PD
BOPE Test	PD	BO
Health and Safety	PD	HS

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Valid Inspection Type and Activity Codes		
Workover Inspections	Inspection Type Code	Inspection Activity Code
Detailed Inspection	WK	DI
Non-detailed Inspection	WK	NI
BOPE Test	WK	BO
Cementing	WK	C
Casing Test	WK	CS
Environmental	WK	SP
Health and Safety	WK	HS
Environmental/Surface Inspection	Inspection Type Code	Inspection Activity Code
Drilling	ES	SD
Producing	ES	SP
Abandonment	ES	SA
Health and Safety	ES	HS
Surface Construction	ES	SC
Interim Reclamation	ES	IR
Well Status Check	ES	WS

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Valid Inspection Type and Activity Codes		
Records Verification Inspection	Inspection Type Code	Inspection Activity Code
Run Ticket Verification	RV	TV
Gas Chart Verification	RV	CV
Meter Proving	RV	MP
Meter Calibration	RV	MC
Site Security	RV	SS
Variable Royalty Rate Det.	RV	RD
OGOR Review	RV	RR
Well Test	RV	T
Production Records Review	RV	PR
Undesirable Event Inspection	Inspection Type Code	Inspection Activity Code
Spill/Venting	NU	SV
Fire/Accident	NU	FA
Oversight Inspection	Inspection Type Code	Inspection Activity Code
**	OV	All Activity Codes may be used

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Valid Inspection Type and Activity Codes		
Alleged Theft Inspection	Inspection Type Code	Inspection Activity Code
Tank Gauging	TH	TG
Meter Proving	TH	MP
Meter Calibration	TH	MC
Site Security	TH	SS
Environmental	TH	SP
Production Records Review	TH	PR
Run Ticket Verification	TH	TV
Gas Chart Verification	TH	CV
LACT Run Ticket Verification	TH	LV
Transporter and/or Manifest	TH	TR
Variable Royalty Rate Det.	TH	RD
Records Review	TH	RR
Well Status Check	TH	WS

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APPENDIX 2 MMS APENDIX G PRODUCING INTERVAL CODES

Appendix G

Producing Interval Codes

The producing interval code, sometimes referred to as the completion code, is a three-character standard format code (**X99** where **X** = a letter and **9** = a number) assigned by BLM and OMM, when a Well Summary Report, Form MMS-125 is accepted. The numeric portion is uniquely and permanently related to a specific completion zone or producing configuration within a wellbore.

- The 3-character producing interval code is a separate identifier and is not part of the 12-digit API number. However, it does complete the well number for reporting purposes.
- The letter of the code is assigned based upon the number of tubing strings in the wellbore that are capable of production. For example, a producing interval code of **S01** indicates a single tubing string; **D01** indicates a dual completion.

NOTE

*In the case of a tubingless or other completion where production from one reservoir flows through a tubing string and that from another reservoir through the annulus, the letter of the producing interval code is **D**. In this case, this does not signify the presence of two tubing strings but indicates there are two separate production streams with the annulus acting as a tubing string.*

- The two numbers of the code relate to a specific reservoir or producing configuration and are assigned sequentially beginning with the number **01** for the first reservoir or formation completed within a wellbore, followed by consecutively increasing numbers assigned to

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G. Producing Interval Codes

successive completed reservoirs or formations. For example, a producing interval code of **S01** indicates the first reservoir completed in the well; **S02** indicates the second reservoir or formation completed. If, however, additional perforations are added to an **S01** completion in the same reservoir or formation, the producing interval code remains **S01** because the completion is still producing from the same reservoir or commingled situation.

The components of the producing interval code are as follows:

- The first character indicates the number of tubing strings; for example:

Borehole	X
Single	S
Dual	D
Triple	T
Quadruple	Q
Quintuple	V
Allocated	A (onshore only)
Commingled	C (onshore only)

- The second and third characters indicate the reservoir or formation completed; for example, **01** through **99**.

A producing interval code of **X01** must be used when reporting only the wellbore, such as in the following cases:

- Reporting an active or inactive drilling well.
- Reporting a wellbore in which all completions have been abandoned but the wellbore itself has not been abandoned; that is, temporary abandonment.
- Reporting a wellbore that has been permanently abandoned.

Largely due to new technology, offshore special completions and producing situations exist that require exceptional naming and numbering guidelines. In part, these cases are addressed by reserving and using blocks of

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producing interval codes for well completion identification purposes. These reserved producing interval code ranges are identified as follows:

Producing interval code	Reserved for
01-19	All "routine" producing completions not included in any of the following groups.
21-39	All completions involving the combined production of unit and nonunit hydrocarbons in a single tubing string.
41-59	All completions that "cross lease lines."
61-79	All "capacity" completions. A capacity completion is defined as a completion with two or more tubing strings producing or capable of producing from the same reservoir.
81-99	Unassigned.

The producing interval code is required on the OGOR-A to complete the API well number and is confirmed to the designated operator through the WELL Confirmation Report. The following examples illustrate the correct producing interval codes for various completions.

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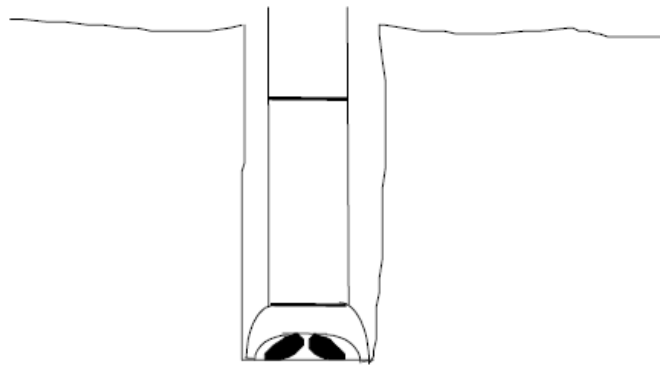
G. Producing Interval Codes

G.1 Onshore Examples

EXAMPLE

Example G-1. Onshore—Basic drilling well

Completion code X01



NOTE

Completion codes must be assigned by the appropriate BLM office.

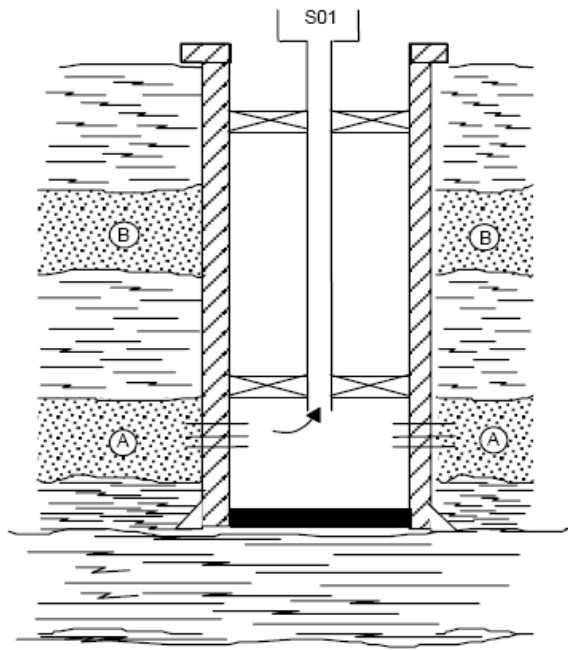
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EXAMPLE

Example G-2. Onshore—Basic single completion

Completion code S01



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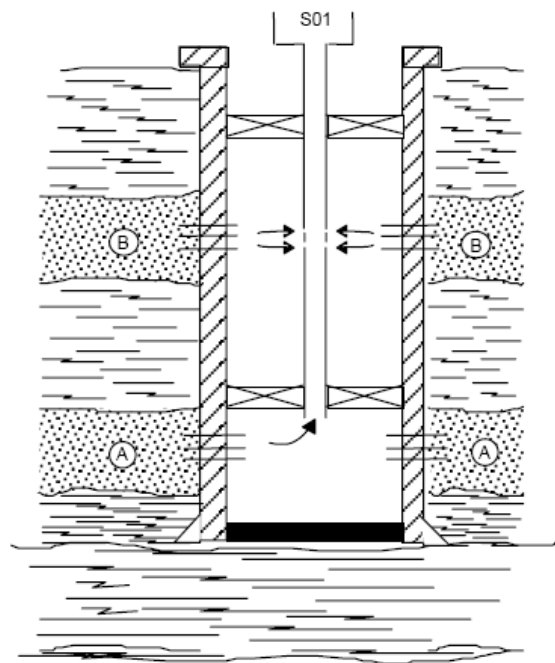
EXAMPLE

Example G-3. Onshore—Basic commingled completion

Time 1

Assume:

- One tubing string
- One completion in zones A and B
- Approval to commingle downhole



NOTE

A single tubing string that has commingled production from two sets of perforations and production allocated to two PAs (allocation might be accomplished by closing off one of the sets of perforations by a mechanical device, such as a sliding sleeve, and measuring the production) is recorded in a unique way. The completion codes in this instance are S01 and S02.

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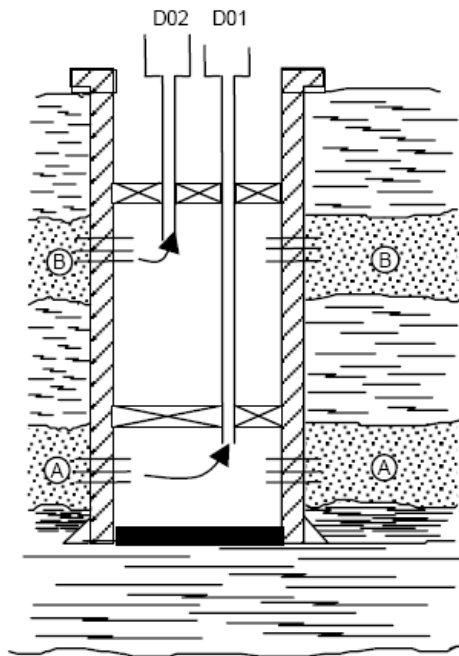
G. Producing Interval Codes

EXAMPLE

Example G-4. Onshore—Basic dual completion

Zone A
Completion code D01

Zone B
Completion code D02



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G. Producing Interval Codes

EXAMPLE

Example G-5. Onshore—Recompleting a well

Time 1

Assume:

- One tubing string
- One completion in zone A

Result:

Zone A
Completion code S01

Time 2

Assume:

- First completion in zone A squeezed off
- Well recompleted in zone B

Result:

Zone B
Completion code S02

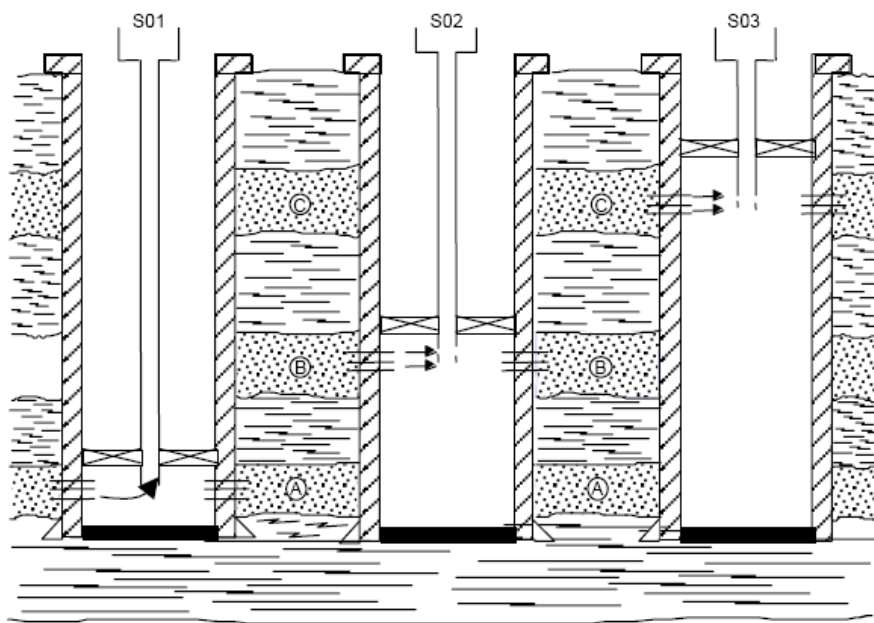
Time 3

Assume:

- Second completion in zone B squeezed off
- Well recompleted in zone C

Result:

Zone C
Completion code S03



NOTE

If the S01 completion in zone A is squeezed, recompleted in zone B and squeezed, then at a later date recompleted in the same zone A and tubing string, the completion code would be S01. The S01 will be reported as ABD on the OGOR the month the S02 begins reporting, and the S02 will be reported as ABD the month the S03 begins reporting.

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G. Producing Interval Codes

EXAMPLE

Example G-6. Onshore—Tubingless completion

Time 1

Assume:

- One completion
- Casing is used as the production string

Result:

Completion code S01

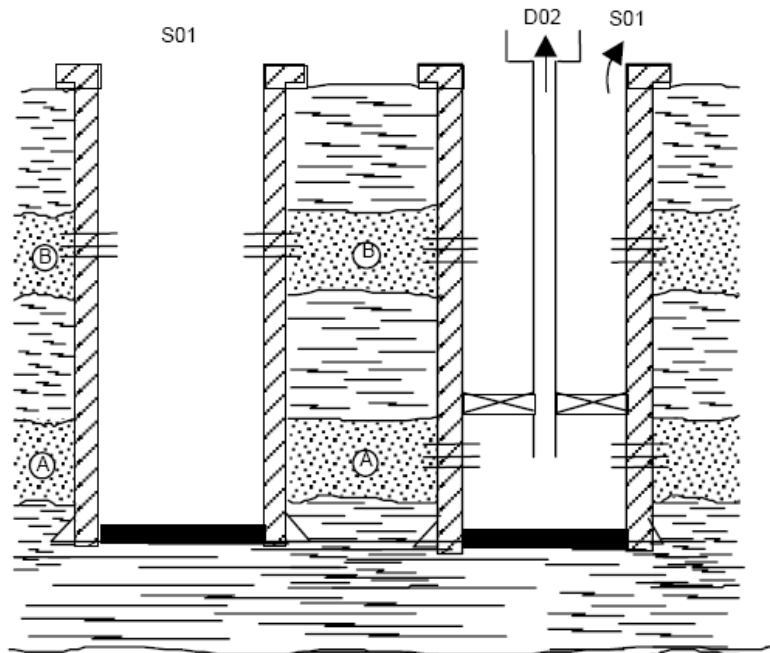
Time 2

Assume:

- Well completed
- One tubing string
- Two completions
- One interval is producing using the annulus

Result:

Zone A
Completion code D02
Zone B
Completion code S01



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G. Producing Interval Codes

EXAMPLE

Example G-7. Onshore—Downhole commingling

Time 1

Assume:

- Two tubing strings
- Two completions

Result:

Zone A

Completion code D01

Zone B

Completion code D02

Time 2

Assume:

- Two tubing strings
- Three completions
- Production from upper tubing string is commingled downhole

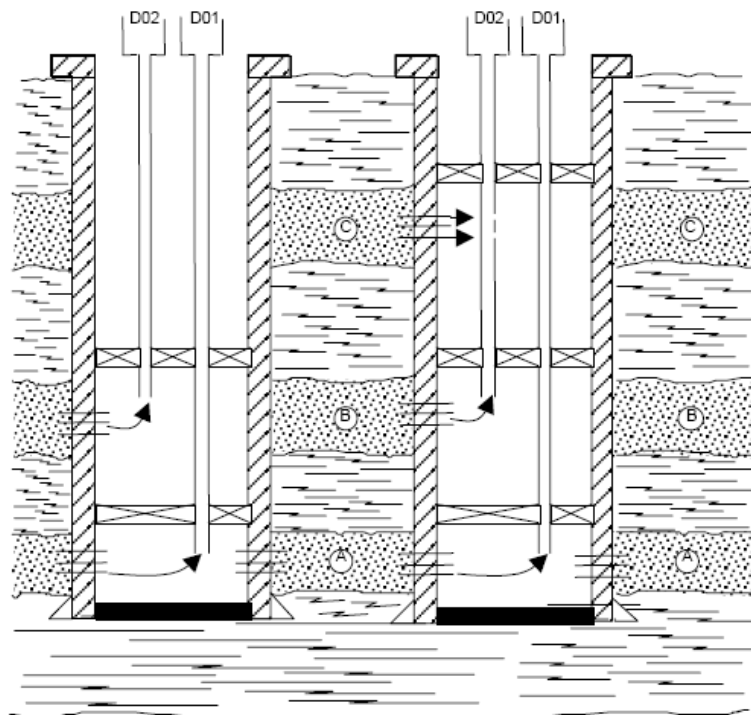
Result:

Zone A

Completion code D01

Zone B and C

Completion code D02



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G. Producing Interval Codes

EXAMPLE

Example G-8. Onshore—Well deepened

Time 1

Assume:

- One tubing string
- One completion

Result:

Zone B

Completion code S01

Time 2

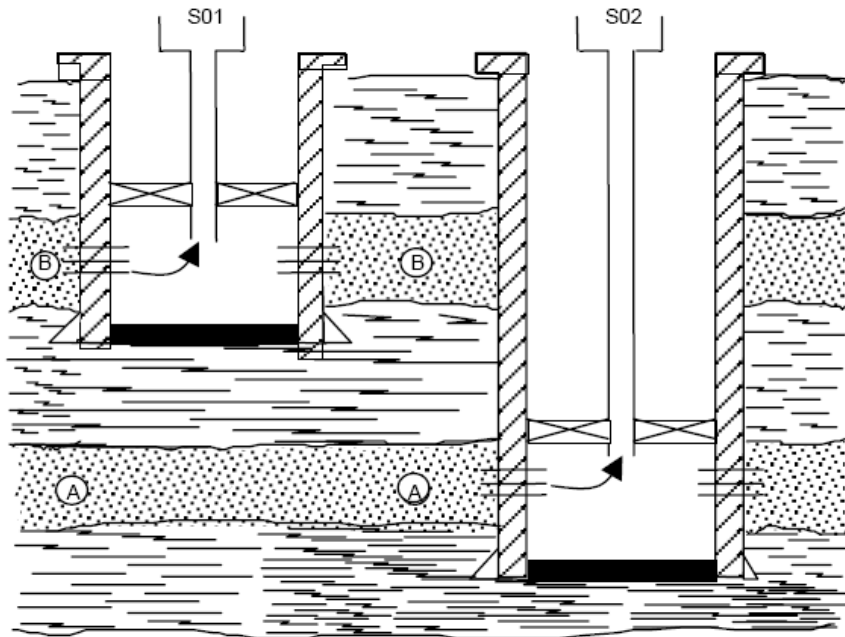
Assume:

- One tubing string
- Formation B completion is squeezed off
- Well is deepened and completed in formation A

Result:

Zone A

Completion code S02



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G. Producing Interval Codes

EXAMPLE

Example G-9. Onshore—Abandonment

Time 1

Assume:

- One tubing string
- One completion

Result:

Completion code S01
Well status POW

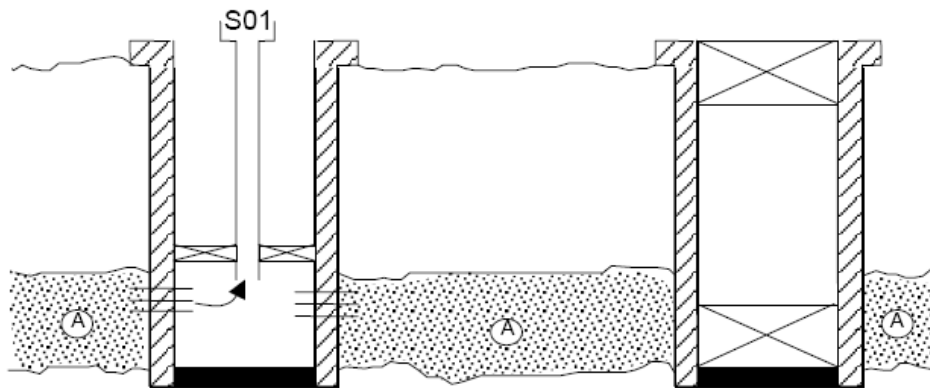
Time 2

Assume:

- Completion is squeezed
- Well is abandoned

Result:

Zone A
Completion code S01
Well status ABD



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G. Producing Interval Codes

EXAMPLE

Example G-10. Onshore—Abandonment of one completion in a dually completed well

Time 1

Assume:

- Two tubing strings
- Two completions

Result:

Zone A
 Completion code D01
 Well status POW
 Zone B
 Completion code D02
 Well status POW

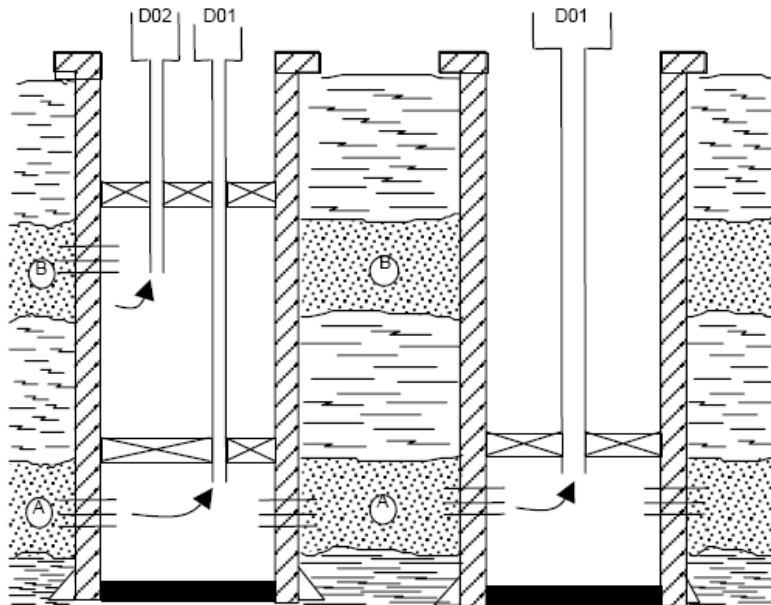
Time 2

Assume:

- Zone B is abandoned
- One tubing string remains

Result:

Zone A
 Completion code D01
 Well status POW
 Zone B
 Completion code D02
 Well status ABD



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G. Producing Interval Codes

EXAMPLE

Example G-11. Onshore—Abandonment of both completions within a dually completed well

Time 1

Assume:

- Two tubing strings
- Two completions

Result:

Zone A
Completion code D01
Well status POW
Zone B
Completion code D02
Well status POW

Time 2

Assume:

- The D01 completion is abandoned
- The D02 completion remains producing

Result:

Zone A
Completion code D01
Well status ABD
Zone B
Completion code D02
Well status POW

Time 3

Assume:

- Zone B is temporarily abandoned during the report month

Result:

Zone B
Completion code D02
Well status TA

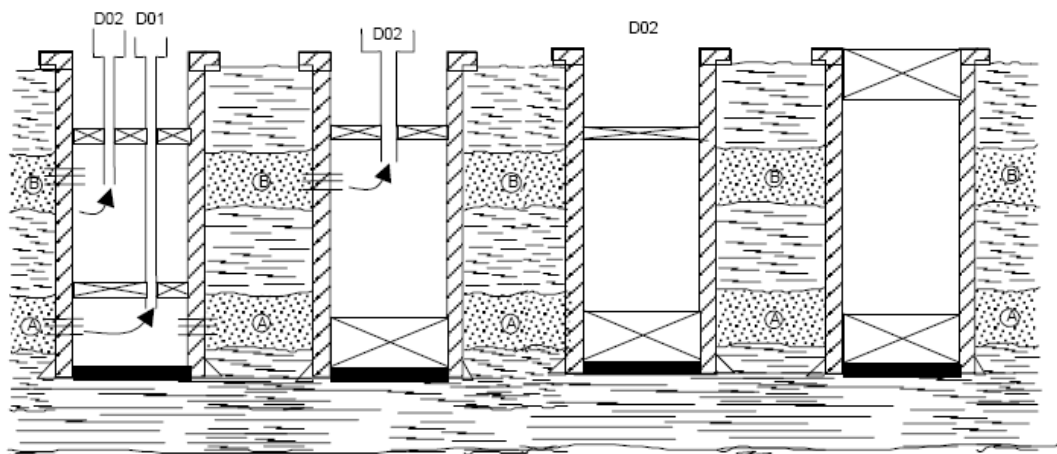
Time 4

Assume:

- Zone B is abandoned the next report period

Result:

Zone B
Completion code D02
Well status ABD



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G. Producing Interval Codes

EXAMPLE

Example G-12. Onshore—Recompleting a well and adding a tubing string

Time 1

Assume:

- One tubing string
- One completion in zone A

Result:

Zone A

Completion code S01

Time 2

Assume:

- First completion in zone A squeezed off
- Well recompleted in zone B and zone C with a tubing string added

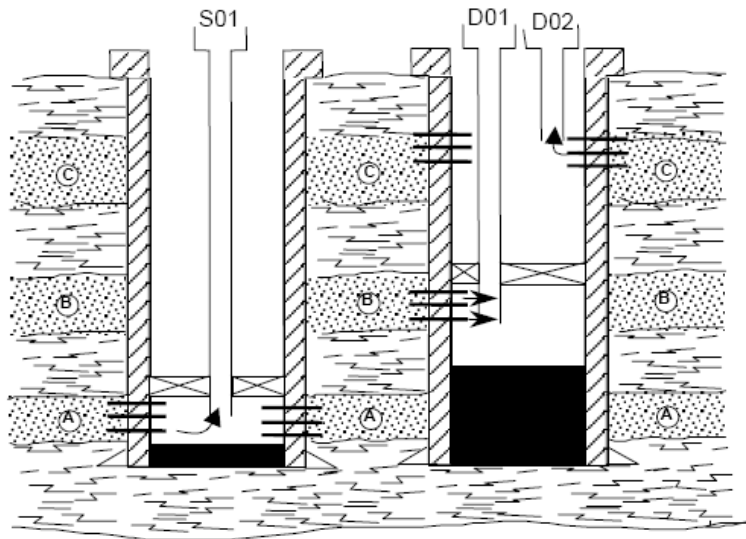
Result:

Zone B

Completion code D01

Zone C

Completion code D02



NOTE

The S01 will change to the D01 on the OGOR the month the D02 begins reporting.

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G. Producing Interval Codes

EXAMPLE

Example G-13. Onshore—Dual completion commingled downhole and one tubing string removed

Time 1

Assume:

- Two tubing strings
- Two completions in zone A and B

Result:

Zone A
Completion code D01
Zone B
Completion code D02

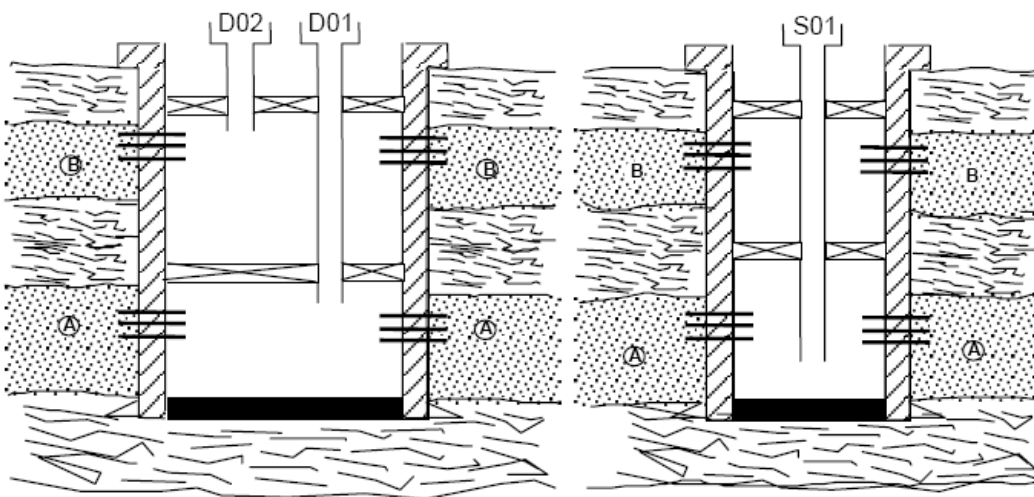
Time 2

Assume:

- Commingling (approved) D01 and D02 and remove one tubing string

Result:

Completion code S01



NOTE

The D01 will change to the S01 on the OGOR, and the D02 will be reported as ABD the month the S01 begins reporting the commingled production on the OGOR.

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G. Producing Interval Codes

EXAMPLE

Example G-14. Onshore—Recompleting a commingled well and adding a tubing string

Time 1

Assume:

- One tubing string
- One completion in zones A and B
- Approval to commingle downhole

Result:

Completion code S01

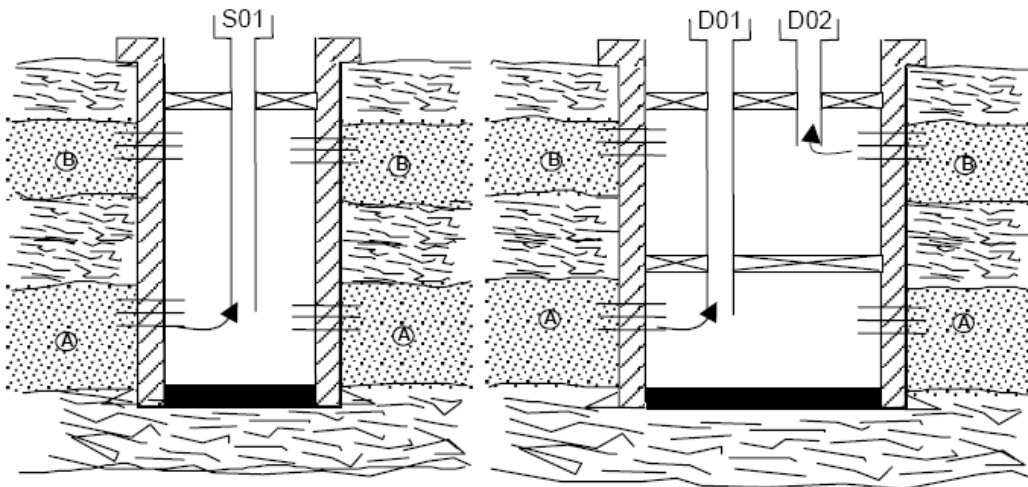
Time 2

Assume:

- Two tubing strings
- Two completions in zone A and B

Result:

Zone A
Completion code D01
Zone B
Completion code D02



NOTE

The S01 will change to the D01 on the OGOR the month the D02 begins reporting.

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STRATEGY DEVELOPMENT HANDBOOK (Internal)

APPENDIX 3 SUMMARY OF ENFORCEMENT ACTIONS

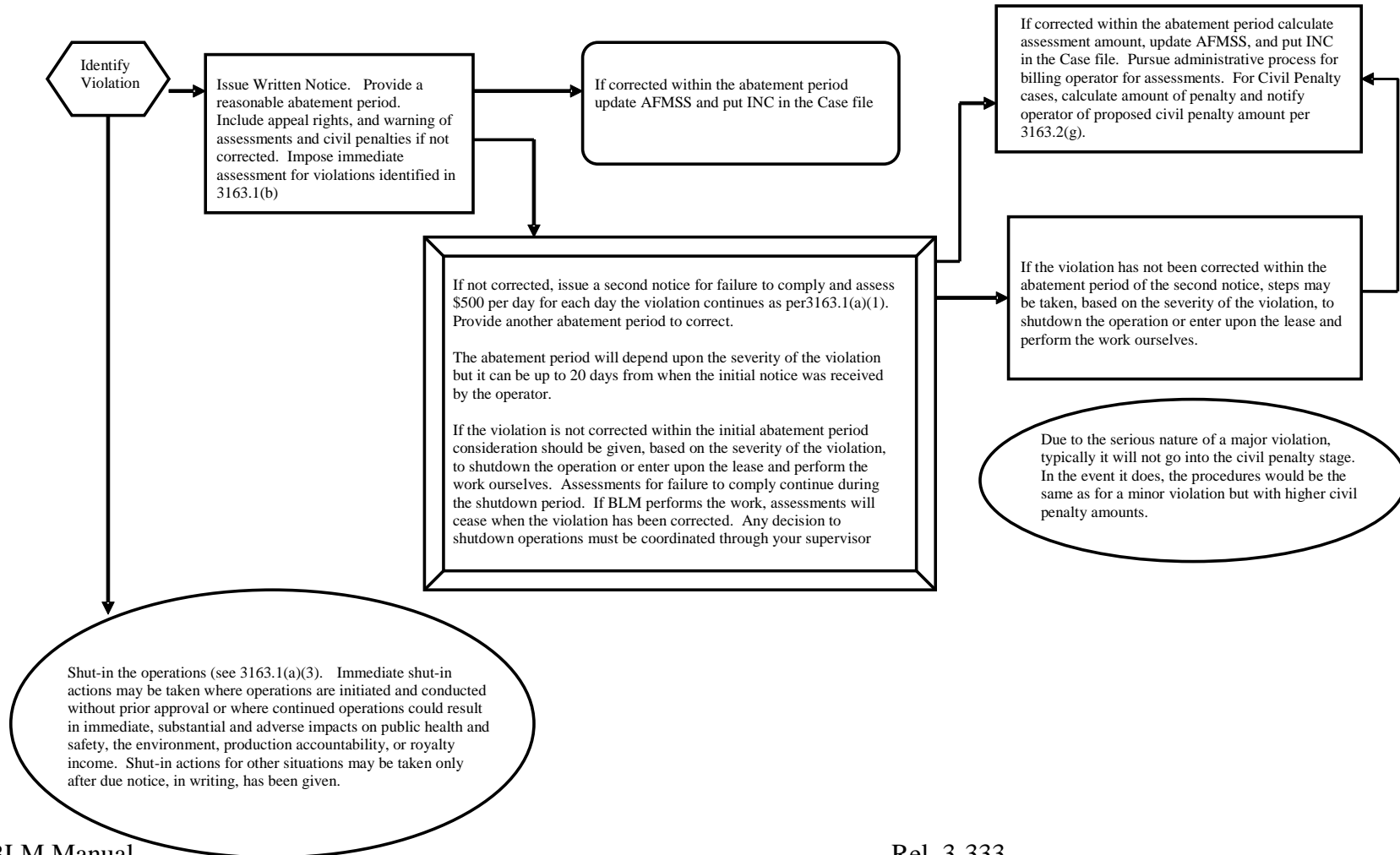
Enforcement Process Short Version		
Order of the Authorized Officer	Minor Violation	Major Violation
Used for problems that are not violations. Can initially notify the operator orally followed up in writing within 10 days.	In violation of a specific regulatory requirement that does not raise to the level of a major violation.	In violation of a specific regulatory requirement that causes immediate, substantial, and adverse impact on environment, public health and safety, production accountability or royalty income.
1. Issue the Order - provide an abatement date. Followup.	1. Issue the INC with a reasonable abatement date. Followup.	1. Issue the INC with a reasonable abatement date. Followup.
2. If not corrected - issue an INC.	2. If not corrected within initial abatement date, issue a second notice with \$250 assessment. Provide an abatement date of not less than 20 days. Followup. Consider whether operations should be shutdown or if we need to perform the work.	2. If not corrected within initial abatement date, issue a second notice with \$500 per day assessment and provide a new abatement date. Followup. Consider whether operations should be shutdown or if we need to perform the work.
3. Follow the INC process	3. If not corrected within 20 days of the second notice, initiate proposed civil penalties at \$50 per day from the date that the second notice was received. Inform the operator of subsequent dollar amounts of civil penalties and possible lease cancellation if the violation is left uncorrected. Consider whether operations should be shutdown or if we need to perform the work.	3. If the second INC is not corrected and due to the serious nature of the violation, steps may be taken to shutdown operations (if appropriate) or perform the work ourselves.

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	<p>4. Five days prior to the 40th day of civil penalties issue a letter informing the operator of the next phase of civil penalties (\$500/day) and encourage compliance.</p> <p>Consider whether operations should be shutdown or if we need to perform the work.</p>	
	<p>5. Five days prior to the 60th day of civil penalties, issue a letter to inform the operator of the next phase. Initiate lease cancellation procedures and encourage compliance.</p>	

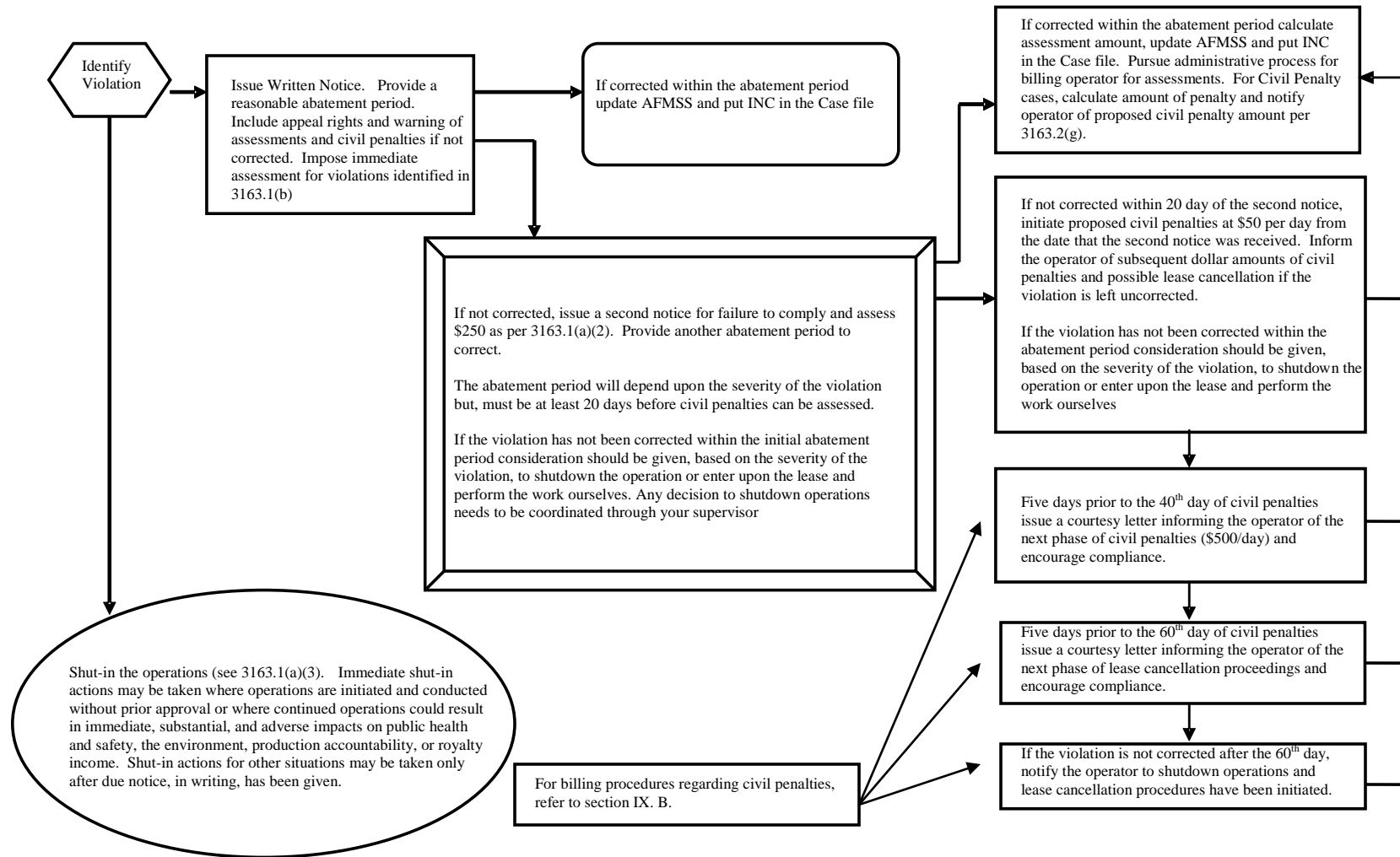
H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK
(Internal)

Major Violation Flowchart



H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK
(Internal)

Minor Violation Flowchart



H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal) APPENDIX 4 FORMS SAMPLE LETTER FORMAT



In Reply To: 3160 Case Number

United States Department of the Interior BUREAU OF LAND MANAGEMENT Field Office Street City, State, ZIP website address



Certified Mail No: [] Return Receipt Requested

[Company Address]

NOTICE OF ORDER(S) OF THE BLM AUTHORIZED OFFICER

or

NOTICE OF INCIDENTS OF NONCOMPLIANCE (INC)

Use specific company representative, if known.

Dear []:

Use the appropriate title. Orders, INCs, or both.

Insert lease, unit, or case number(s). Also list well name and number (or facility) and legal description, inspection date, and inspector name(s).

An inspection was performed on Federal lease WYW[], [Well name and #, 1/4 1/4 section, county, State], on 00/00/0000, by [Inspector Name]. It was found that operations were not being conducted in a manner designed to protect the mineral resources, other natural resources, and environmental quality (43 CFR 3162.5).

ORDER(s) OF THE AUTHORIZED OFFICER

The following environmental compliance problems, pursuant to 43 CFR [] which states, "... were identified during the latest inspection of the subject location. Specifically:

Each problem must have a unique number.

- Environmental Problem No. []: [Specifically describe the problem (e.g., A substantial head-cut has started in the ditch on the west side of the road coming onto the well location.)]

Corrective Action: [Identify what needs to be done to address the problem. Use performance objectives rather than specifically describing exact work. (e.g., take appropriate remedial measures to stabilize head-cut and restore perennial vegetation. Eliminate the source of the problem by diverting and/or slowing water flow from the access road.)]

Cite pertinent regulation for the order and after..."states" ... Insert the pertinent requirement (e.g., 43 CFR 3162.5-1(a), which states "The operator shall conduct all operations in a manner which protects the minerals resources, other natural resources and environmental quality"). If you have multiple environmental problems, some may be pertinent to other regulations. In this case, cite a different regulation for each environmental problem.

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

In accordance with 43 CFR 3163.1(a), you must comply with the corrective action(s) for the identified environmental problems no later than [/]. If you fail to comply within the time frames specified, you will be subject to further enforcement action as may be deemed necessary.

Insert a specific date by which the problems must be corrected.

(If additional environmental problems were identified, list each problem separately, using the same format as shown above. Insert the well/facility identification, and legal location if different.)

- Environmental Problem No.: Same format as above

Insert legal location information if different from

Corrective Action: Same as format as above

In accordance with 43 CFR 3163.1(a), you must comply with the corrective action(s) for the identified environmental problems no later than [/]. If you fail to comply within the time frames specified, you will be subject to further enforcement action as may be deemed necessary.

Insert a specific date by which the problems must be corrected.

INCIDENTS OF NONCOMPLIANCE

The following violations were identified during an inspection of the subject location. Specifically:

- INC No.: []: [Specifically describe the violation and cite the authority.]

Corrective Action: [Identify what needs to be done to correct the violation.]

In accordance with 43 CFR 3163.1(a), you must comply with the corrective action(s) for the identified violation no later than [/]. If you fail to comply within the time frames specified, you may be subject to an assessment or additional enforcement actions as deemed necessary to gain compliance.

Insert a specific date by which the INC must be corrected.

(If additional violations were identified, list each violation separately, using the same format as shown above. Insert the well/facility identification, and legal location if different.)

- INC No.: Same format as above

Insert legal location information if different from

Corrective Action: Same format as above

In accordance with 43 CFR 3163.1(a), you must comply with the corrective action(s) for the identified violation no later than [/]. If you fail to comply within the time frames specified, you may be subject to an assessment or additional enforcement actions as deemed necessary to gain compliance.

Insert a specific date by which the INC must be corrected.

WARNING

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

Orders of the Authorized Officer or Incidents of Noncompliance and reporting time frames begin upon receipt of the Notice or 7 business days after the date it is mailed, whichever is earlier. Each problem or violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above.

For Incidents of Noncompliance, please note that you already may have been assessed for noncompliance (see amount under “Assessed for Noncompliance”). If you do not comply as noted above under “Corrective Action to be Completed By,” you may incur additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at 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.

REVIEW AND APPEAL RIGHTS

Insert address for the State Office.

A person contesting a order of the authorized office or violation must request a State Director Review of the Order or Incident of Noncompliance. This request must be filed within 20 working days of receipt of the Incident of Noncompliance with the appropriate State Director at [] (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands Appeals, 801 North Quincy Street, MS 300-QC, Arlington, Virginia 22203 (see 43CFR 3165.4). Contact the abovelisted Bureau of Land Management office for further information.

If you have any questions, please contact [].

Sincerely,

Field Manager

Attachment: Corrective Action(s) Completed Form

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Form 3160-9
(December 1989)

Number 2
Page 3 of

Certified Mail - Return Receipt Requested 1
 Hand Delivered Received by

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

NOTICE OF INCIDENTS OF NONCOMPLIANCE

Identification

ID

Lessee

CA

Unit

PA

Bureau of Land Management Office 5					Operator 6				
Address					Address				
Telephone					Attention				
Inspector 13					Attn Addr				
Site Name 7	Well or Facility 8	1/4 1/4 Sec 9	Township 10	Range 11	Meridian 12	County	State		
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State		

THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE

Date	Time (24 - hour clock)	Violation	Gravity of Violation
14	15	16	17
Corrective Action To Be Completed By	Date Corrected	Assessment for Noncompliance	Assessment Reference
18	19	20	43 CFR 3163.1) 21

Remarks 22

When violation is corrected, sign this notice and return to above address.

Company Representative Title 23 Signature _____ Date _____

Company Comments 24

WARNING

Incidents of Noncompliance correction and reporting timeframes begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above. Please note that you already may have been assessed for noncompliance (see amount under "Assessment for Noncompliance"). If you do not comply as noted above under "Corrective Action To Be Completed By" you may incur an additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at 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, record, 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.

REVIEW AND APPEAL RIGHTS

A person contesting a violation shall request a State Director review of the Incidents of Noncompliance. This request must be filed within 20 working days of receipt of the Incidents of Noncompliance with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 801 North Quincy Street, Suite 300, Arlington VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of Land Management Authorized Officer 25		Date	Time
--	--	------	------

FOR OFFICE USE ONLY

Number 26	Date	Assessment	Penalty	Termination
Type of Inspection				

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Form 3160-12
(December 1989)

Number 2
Page 3 of

Certified Mail - Return Receipt Requested 1
 Hand Delivered Received by

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

NOTICE TO SHUT DOWN OPERATION

Bureau of Land Management Office 5	Operator 6
Address	Address
Telephone	Attention
Inspector 13	Attn Addr

Site Name 7	Well or Facility 8	1/4 1/4 9	Township 10	Range 11	Meridian 12	County	State
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State

YOU ARE ORDERED TO IMMEDIATELY SHUT IN THE ABOVE OPERATION ACCORDING TO 43 CFR 3163.1(a)(3)

Date	Time (24 - hour clock)	Corrective Action To Be Completed By	Report Corrective Action By	Date Corrected
14	15	16	17	18

Remarks

19

When violation is corrected, sign this notice and return to above address.

Company Representative Title 20 _____ Signature _____ Date _____

Company Comments 21 _____

WARNING

Operations are not to be resumed until permitted by the authorized officer. Failure to comply with this notice within the time allowed may incur an assessment under (43 CFR 3163.1) and may also incur Civil Penalties under 43 CFR 3163.2

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at 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, record, 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.

REVIEW AND APPEAL RIGHTS

A person contesting a violation shall request a State Director review of the Incidents of Noncompliance. This request must be filed within 20 working days of receipt of the Incidents of Noncompliance with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 801 North Quincy Street, Suite 300, Arlington VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of Land Management Authorized Officer 22	Date	Time
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H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

3160-10
(October 2003)

UNITED STATES
DEPARTMENT OF INTERIOR
BUREAU OF LAND MANAGEMENT
INSPECTION RECORD - DRILLING

Case Number		State	Field Office		Field Area	<input type="checkbox"/> Detailed <input type="checkbox"/> Non-Detailed		
Well No./API No.		Location (3/4 S-T-R)			Spud Date	Status		
Operator/Representative					Rig/Contractor/Representative			
Inspection Type	Activity Code	Inspector	Open Date	Closed Date	Office Time	Travel Time	Inspection Time	Trips
GENERAL						Inspected	NA	Violation
1. Is approved drilling permit and plan on location?								
2. Is drill site properly identified?								
3. Are operations being conducted in a workmanlike manner? <i>(Detailed list in handbook)</i>								
4. Did Operator report all spills?								
5. Are drill-stem tests conducted as required?								
6. Is hole deviation within approved tolerances?								
SURFACE USE								
7. Is surface use in accordance with approved plan?								
a. Well site lay-out;								
b. Pits, sumps, and other ancillary facilities;								
c. Containment and disposal of solid, liquid, and gaseous wastes;								
d. Failure to implement dust control;								
e. Failure to obtain prior approval for additional surface disturbance.								
BLOWOUT PREVENTER AND ASSOCIATED EQUIPMENT								
8. Is BOP pressure rating and arrangement at least that approved? Rating _____								
9. Are choke lines and manifold, kill lines, and fill lines properly installed and operable?								
10. Are Master controls installed and functional?								
a. Remote control installed and functional?								
b. Hand wheels or autolock? <i>(Circle appropriate item)</i>								
c. Valve installed in closing line of annular preventer?								
11. Is pressure accumulator system adequate to activate BOP? In casing _____ Fluid Volume _____								
a. Nitrogen precharge pressure? Date last checked _____								
b. Will reservoir hold two times the usable fluid volume?								
c. Is power available and turned on to the accumulator pumps?								
12. Are ram-type preventers tested to stack working pressure if isolated by test plug or 70 percent of internal yield pressure or casing if BOP Stack is not isolated from casing? _____ psi test pressure								
13. Are annular-type preventers tested to 50 percent of working pressure? _____ psi Date Recorded _____								
14. Are BOPE tests run and recorded in driller's log? _____ psi								
a. When initially installed?								
b. Whenever a seal subject to test pressure is broken?								
c. Following related repairs?								
d. 30-day intervals?								
15. Are BOP drills conducted weekly and recorded in driller's log? Time: _____								
16. Is annular preventer activated weekly and recorded in driller's log?								

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

BLOWOUT PREVENTER AND ASSOCIATED EQUIPMENT (CONTINUED)	Inspected	NA	Violation
17. Are rams activated each trip and recorded in driller's log?			
18. Are blind rams activated each trip?			
19. Is the slow pump speed recorded each tour?			
20. Are drill string safety valves and/or inside BOP valves readily available?			
21. <input type="checkbox"/> Is upper Kelly cock installed? <input type="checkbox"/> Is lower Kelly cock installed? <input type="checkbox"/> Are appropriate Kelly cock wrenches available? a. BOPs shall be installed, used, maintained and tested in a manner necessary to assure well control and shall be in place prior to drilling the surface casing above.			
CASING AND CEMENTING			
22. Was casing and cement in accordance with approved APD (size weight grade depth <input type="checkbox"/> New? <input type="checkbox"/> Used?)			
23. When setting surface casing, did cement circulate to surface? If not, was remedial action taken? a. Centralizers as required?			
24. When setting casing was cement job conducted as approved? (Circle applicable type) Surface Intermediate Production Liner			
25. Were all casing strings pressure tested prior to drill out? _____ psi. a. Was remedial action taken if test indicated no good? Action: _____ b. Were all pressure tests recorded in driller's log? Date recorded: _____			
26. Were all waiting on cement (WOC) times adequate to achieve a minimum of 500 psi compressive strength at the shoe?			
27. Are casing shoe pressure integrity tests (mud weight equivalency test) performed and recorded in log book? Date recorded _____ Mud weight _____ Depth _____ Pressure _____			
28. All indications of usable water reported to the authorized officer?			
29. Are wiper plugs used as required?			
MUD PROGRAM			
30. Is mud system in accordance with approved APD?			
31. Are appropriate quantities of mud on hand?			
32. Is mud monitoring equipment in accordance with approved APD? a. Electronic/mechanical mud monitoring equipment alarms set and turned on?			
33. Is gas detection equipment installed and operational as per APD?			
34. Are acceptable well control practices being followed while tripping?			
35. Are tourby mud tests (weight & viscosity) recorded in the driller's log?			
36. Is flare system installed?			
SPECIAL OPERATIONS-AIRGAS DRILLING			
37. Is rotating head in operating condition?			
38. Is the bleed line installed and the pilot light and igniter installed and operating as per APD?			
39. Is dechlorator equipment installed?			
40. Is mud circulation equipment available for rapid use (including mud, reserve pits, and steel tanks)?			
41. Are engines equipped with spark arresters or water cooled exhaust?			
HYDROGEN SULFIDE OPERATIONS (500' above or 3 days prior to expected H2S)			
42. Are the H ₂ S Drilling Operations Plan and Public Protection Plan, if required, available at the well site?			
43. Are the locations of safe briefing areas as approved, are they designated, and is safe access provided to them?			
44. Is a secondary means of egress available and possible?			

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

HYDROGEN SULFIDE OPERATIONS (CONTINUED)	Inspected	NA	Violation
45. Is required safety equipment for essential personnel available and operable?			
a. Portable H ₂ S and SO ₂ detectors?			
b. Self-contained breathing apparatus?			
c. Explosion proof ventilation fans?			
d. Other equipment as approved in drilling operations plan?			
46. Are initial and weekly training and H ₂ S/well control drills held and recorded on the driller's log?			
47. Is permanent H ₂ S detection and monitoring equipment installed, tested, and operable?			
48. Is the wind direction equipment installed and visible?			
49. Are the caution/danger signs legible, visible, and posted a safe distance from the location?			
50. Are the warning flags, flare gun and flares available?			
51. Is the equipment H ₂ S trimmed as required?			
52. Is the remote kill line installed and tested?			
53. Is the flare system designed to safely gather and burn H ₂ S?			
a. Is the flare system equipped with a safe and suitable means of ignition?			
b. Is the flareline mouth at least 150' from wellbore?			
c. If noncombustible gas is to be flared, is supplemental fuel available?			
54. Are the mud-gas separator, degassers, and rotating head installed and operational (exploratory wells only)?			
55. Is the remote controlled choke installed, tested, and operable?			
56. Is the pH of freshwater mud 10.0 or above unless otherwise approved?			
a. Are sufficient quantities of mud additives to scavenge H ₂ S available at the well site (exploratory wells only)?			
OTHER			
57. Other special requirements per approved APD and lease terms.			
58. Description of operations witnessed.			
HIGH PRIORITY INSPECTION REMARKS			

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

Form 3160-13
(October 2003)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

INSPECTION RECORD - ABANDONMENT

Case Number		State	Field Office		Field Area				
Well Name:				Well Number:		Hazard?			
API No.		Location 1/4, 1/4, S-T-R (Lat/Long)			Spud Date		Status		
Operator/Representative				Rig/Contractor/Representative					
Well Type: (Circle One)									
Dry Hole		Depleted Producer		Service Well	Water Well	Other (explain)			
INSP. TYPE	ACT. CODE	INSPECTOR		OPEN DATE	CLOSED DATE	OFFICE TIME	TRAVEL TIME	INSPECT. TIME	TRIPS

PLUGGING OPERATIONS	WITNESSED		
	YES	NO	N/A
1. Plugs spotted across perforations or perforations isolated as approved if casing set?			
2. Plugs spotted at casing stubs?			
3. Open hole plugs spotted as approved?			
4. Retainers, bridge plugs, or packers set as approved?			
5. Cement quantities as approved?			
6. Method of verifying and testing plugs as approved?			
7. Pipe withdrawal rate satisfactory after spotting plugs?			
8. All annular spaces isolated to surface?			
9. Surface Cap Witnessed? (Circle one) Above Ground Below Ground			
10. INC issued?			

Remarks:

Cement and mechanical plug placement data (attach service company report, if available):

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

BALANCE PLUG PROGRAM

Wellbore Information						
	Size	Weight	cf/ft	lb/cf	bbl/ft	ft/bbl
Open Hole						
Casing						
Tubing/D.P. (Workstring)						
Annular Volume (pipe in hole)						
Annular Volume (pipe in pipe)						

Helpful Hints: Number of sacks cement (x) yield of cement = cubic feet of cement
 Cubic Feet (cf) x .1781 = BBls.
 Sacks of cement (x) H2O required (gal/sk) + 42 gals = BBls.

Mix H2O required

Plug # 1: Approved depth: _____ to _____ Actual Depth: _____ to _____
 Sacks cement _____ Tagged Top of Cement at _____
 Yield cement _____ Pressured tested cement plug to _____ psi ?

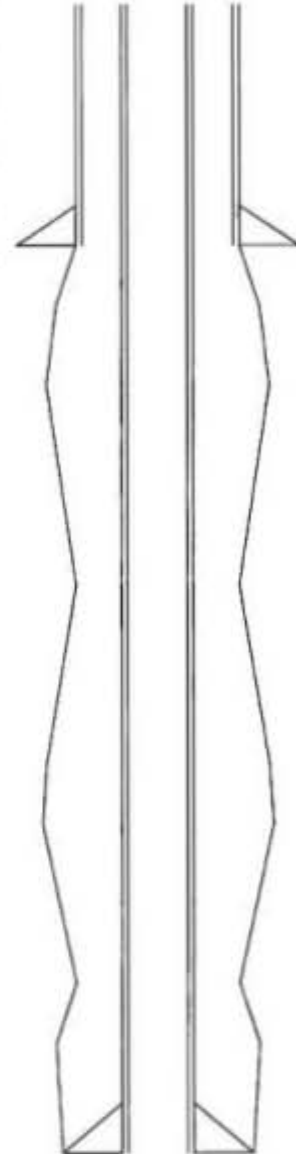
Plug # 2: Approved depth: _____ to _____ Actual Depth: _____ to _____
 Sacks cement _____ Tagged Top of Cement at _____
 Yield cement _____ Pressured tested cement plug to _____ psi ?

Plug # 3: Approved depth: _____ to _____ Actual Depth: _____ to _____
 Sacks cement _____ Tagged Top of Cement at _____
 Yield cement _____ Pressured tested cement plug to _____ psi ?

Plug # 4: Approved depth: _____ to _____ Actual Depth: _____ to _____
 Sacks cement _____ Tagged Top of Cement at _____
 Yield cement _____ Pressured tested cement plug to _____ psi ?

Plug # 5: Approved depth: _____ to _____ Actual Depth: _____ to _____
 Sacks cement _____ Tagged Top of Cement at _____
 Yield cement _____ Pressured tested cement plug to _____ psi ?

Surface Plug : Length of Plug ? From _____ ft. to surface
 Sacks cement _____
 Yield cement _____



H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

Form 3160-11
December 7, 2002

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
INSPECTION RECORD-PRODUCTION

Case/Unit PA/CA Contract No.				Unit Name				Operator				
PR Year				Inspection Type				Open Date		Close Date		
Insp No.	Inspector	ACT. Code	Open Date	Close Date	Wells Inspected	Facility ID Inspected	Office Time	Travel Time	Inspect Time	Trips	Referrals	Oil/Gas Gain/Loss Recovered
Purchaser Oil _____ Purchaser Gas _____				___ Oil ___ Gas (check as appropriate)								
GENERAL										Inspected	Violation	N/A
1. Identification Satisfactory (per 43 CFR 3162.6)												
A. Tanks												
B. Facilities												
C. Wells												
2. Well Equipment Satisfactory												
3. Environmental Protection Satisfactory (per 43 CFR 3162.3-1, 3162.5-1, 3162.7-5, OO No. 7 and NTL3-A)												
A. Water Disposal												
1. Pit												
2. Subsurface												
B. Surface Use												
C. Undesirable Event												
Liquid Hydrocarbons Production (per Order No. 4)												
4. Liquid Handling Equipment Satisfactory												
A. Bypass Around Measurement Point												
5. Measurement Satisfactory (attach Run Ticket, Proving Report, 3160-16, 3160-17 and Volume Calculations)												
A. Tank Gauging: Bottom Gauge _____ Temp _____												
1. Performed (attach volume calculations)												
2. Witnessed												
B. LACT Proving Witnessed _____ Previous Factor _____ New Factor _____ (attach proving report)												
Natural Gas Production (per order No. 5)												
6. Gas Handling Equipment Satisfactory												
A. Bypass Around Measurement Point												
7. Type of Production: (check one) ___ Gas Well ___ Casing Head												
8. Measurement Satisfactory (attach appropriate forms 3160-15 or independent calculations)												
A. Orifice _____ Pipe ID _____ Beta Ratio _____												

Site Security (per 43 CFR3162.7-5, Order No. 3)

9. No Bypass										Inspected	Violation	N/A
10. Facility Diagram (Onsite Verification)												
A. Diagram Accurate												
B. Facilities Adequately Sealed: _____ Sales Phase _____ Production Phase												
11. LACT												
A. Components Complete												
B. Sealed to Minimum Standards												

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

12. Seal Records	Facility	LACT			
A. Maintained by Operator					
B. Current					
Safety (per 43 CFR 3162.5-3 Order No. 6)					
13. H2S					
A. Hazard					
1. PPM	Ambient	STV	Gas Stream		
B. Operating Requirements Met					
C. Public Protection Plan Required Available					
14. General Safety- Are all operations performed in a safe and workmen like manner?					
Records Review			Review Dates		
15. Production Measurement Records (per Order No. 4&5)			From	To	
A. Internal Records(attach any independent calculations)			/ /	/ /	
1. MMS OGOR Forms					
2. LACT Meter Proving Report					
3. Gas Meter Calibration Report					
B. External Records(attach any independent calculations)					
1. Run Tickets/LACT print outs					
2. Pipeline Run Statements					
3. Pumpers Log					
4. Seal Records					
5. Purchasers Gas volume Sales Report					
6. Chart Integration Reports					
7. Methods Used to Estimate Volumes of Gas Flared/Vented					
8. Method Used to Estimate Volumes of Gas or Oil Lost/ on Lease					
Other					
16. Royalty Rate Determination (per 43 CFR 3162.7-4) Effective Royalty Rate					
17. Transporter Manifest Review (per 43 CFR 3162.7-1)					

Remarks:

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

Form 3160-16
(December, 2003)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

MEASUREMENT RECORD - OIL

By Tank Gauge or Alternative Method
(Onshore Order No. 4)

Date: _____ Case No.: _____
 Field/Unit: _____ Field Office: _____
 PA/CA: _____ Operator: _____
 County/State: _____ Purchaser: _____
 Facility ID.: _____ Location: W% _____ S _____ T _____ R _____
 Inspector: _____ Tank No.: _____

TANK GAUGE

	Yes	No	N/A
1. Does tank have a pressure-vacuum thief hatch and/or vent-line valve? III.C.1.a.			
2. Is tank set level? III.C.1.b.			
3. Does tank have a gauging reference point height stamped on a fixed bench mark plate or stenciled on tank near the Gauging hatch? III.C.1.c.			
4. Are strapping tables available for each tank? III.C.2.c.			
5. Is the tank free of dents or damage? III.C.2.b.			
6. Were oil samples taken prior to gauging tank? III.C.3.			
7. Was gauge tape of proper type and quality used? III.C.4.a.			
8. Were two identical gauges obtained? III.C.4.b.			
9. Were tests for gravity taken acceptable? III.C.5.a. & f.			
10. Was hydrometer of proper type and quality? III.C.5.b, c, d.			
11. Were tests for tank temperature acceptable? III.C.5.a.			
12. Was thermometer of proper type and quality? III.C.6.a. & b.			
13. Were tests for BS&W content acceptable? III.C.7.			
14. Is tank/facility in conformance with applicable Site Security Regulations? (Self Inspection, Records, Site Sec. Plan, Fac. Diag) OO #3, III.F, G, H, and I.			
15. Copy of run ticket attached? OO #3, III.C.1.a.			
16. Gravity: Data _____ @ _____ °F Corrected API Gravity _____			
17. Sediment & Water Content: Tube # 1 _____ % Tube # 2 _____ % %BS&W _____			
18. Opening Tank Temperature: Data _____ °F Closing Tank Temperature Data _____ °F			
19. Opening Gauge: Data _____ Closing Gauge: Data _____			
20. Do fill lines enter: Top of Tank _____ Bottom of Tank _____			
21. Method of Shipment By: Pipeline _____ Truck _____			
22. Load Line Seal Numbers: Off _____ (OO #3, III.A.1.b.) On _____ Fill Line Seal Numbers: On _____ Equalizer Line Seal Numbers: On _____ Drain/Circulating Line Seal Numbers: On _____			

Alternate Method

23. Date of Alternative Measurement Method Approval: _____
 24. Method Type: Turbine Metering _____ Calibrated Tank Truck _____
 Net Oil Computer _____ Measurement by Weight _____
 Other (describe) _____
 25. Does this method accurately meet or exceed the minimum API Standard for:
 Gross Volume Measurement _____ API Oil Gravity _____
 Sediment & Water _____ Temperature _____
 Net Volume Calculations _____

REMARKS

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

MEASUREMENT RECORD - OIL By Truck Mounted Coriolis Meter

DATE: _____ LEASE NO.: _____
 FIELD/UNIT: _____ FIELD OFFICE: _____
 PA/CA: _____ OPERATOR: _____
 COUNTY/STATE: _____ PURCHASER: _____
 BATTERY NO.: _____ TANK NO.: _____ LOCATION: _____
 WELL NO.: _____ TECHNICIAN: _____

TRUCK MOUNTED CORIOLIS METER

Truck Number: _____ Meter Mfr.: _____ Size: _____
 Meter Serial No.: _____ Normal Meter Proving Frequency: _____
 Date of Last Proving: _____ Meter Factor: _____

	YES	NO	N/A
Are all Meter Proving Reports filed with the Authorized Officer within 10 working days following the meter proving?			
Does the Meter contain the following Units?			
Divert Valve			
Automatic Sampler			
Temperature well and probe for verifying meter temperature readings during meter proving			
Automatic Air Eliminator (vented into the tank) with provisions to prevent liquid from passing			
Block Valves upstream and downstream of meter (for zeroing meter prior to meter proving and/or when meter is repaired)			
Back Pressure Control Valve on divert line to check the integrity of the divert valve			
Prover Loop			
Heat tracing (only if meter is used to haul high pour point crude oil)			
Is the Coriolis Meter protected from pressure surges as well as excessive pressures caused by thermal expansion of the fluid when the system is not in operating?			
Is there a By-Pass around the Meter?			
Was the test for B.S.&W done in accordance with Onshore Order #4,III,C.7?			
Does oil tank have a pressure-vacuum thief hatch and vent-line valve?			
Is oil tank/facility in conformance with applicable Site Security Regulations?			
Copy of run ticket attached?			

Seal Numbers and Oil Measurement data:

Meter Module seal number: _____ Meter Flange seal numbers: inlet: _____ outlet: _____
 Divert Valve seal number: _____ Load Line seal numbers: off: _____ on: _____

Gravity: _____ @ _____ °F BS&W: _____ % Avg. Temp.: _____ °F Gross Meter Vol.: _____ bbls.

REMARKS

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

Form 3160-15
(October 2003)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

MEASUREMENT RECORD – GAS

IID _____ Date _____
 Well/Facility ID _____
 Location: $\frac{1}{4}$ $\frac{1}{4}$ _____ S _____ T _____ R _____ County & State _____
 Operator _____ Purchaser/Processor _____
 Inspector _____ Office _____

GENERAL METER INFORMATION (Orifice, or differential meter)

Method of Measurement: _____
 Meter Station No.: _____ Specific gravity: _____
 Atmospheric Pressure _____ or Elevation _____

PRIMARY METER INFORMATION

Meter Manufacturer: _____ Meter Serial No.: _____
 ID of meter run: _____ Device size: _____ Beta ratio: _____
 Does the meter have a temperature recorder? Yes _____ No _____
 Length of pipe upstream: _____, downstream _____ of device
 Required pipe upstream: _____, downstream _____ of device
 Figure from AGA No. 3 used to determine pipe length: 4 _____ 5 _____ 6 _____ 7 _____ 8 _____
 Does the meter have straightening vanes? Yes _____ No _____
 Type of taps: Flange _____ Pipe _____ Static pressure tap: Upstream _____ Downstream _____
 Type of plate holder: Flange _____ Simplex _____ Junior _____ Senior _____

SECONDARY ELEMENT INFORMATION

DRY FLOW

Type of Chart: _____
 Is DP pen recording in the outer 2/3 of chart? _____
 Is SP pen recording in the outer 2/3 of chart? _____

EFM

Self Contained _____ Component _____
 Manufacturer _____
 Model _____
 S/N _____
 URL DP _____ URL SP _____

Static range: _____ Differential range: _____ Temp range: _____

Recorder Readings:

DP _____ SP _____ psig/psia T _____ Flow rate _____ scf/hr | mcf/day

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

RECORDER CALIBRATION INFORMATION

- 19. Calibration frequency: _____ Witnessed? Yes ___ No ___ Reports attached: Calibration report ___ EFC Event log ___
- 20. Was a leak test performed? Yes ___ No ___
- 21. Was the differential pen arc checked? Yes ___ No ___
- 22. Was the differential linearity check at 0, 100% and 1 point within the normal range of the differential recording? Yes ___ No ___
- 23. Was the static linearity check at 0, 100% and 1 point within the normal range of the static recording? Yes ___ No ___
- 24. Was the static time lag check? Yes ___ No ___ N/A ___
- 25. Was meter calibration performed as per the requirements of 00 No. 5? Yes ___ No ___
- 26. Does the calibration report contain all of the information required by 00 No. 5? Yes ___ No ___
- 27. Date of the last meter calibration: _____

Remarks: _____

NOTE: This form is not necessary if all of the gas produced is either used on site or flared/vented.

Sketch of the meter facility and associated piping. (Optional)

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

3160-5
(January 21, 2000)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SURFACE INSPECTION FORM

Well Name:		Well #:		API #:		Well Status:	
Footage:	Acquit:	Lot/Tract:	Section:	Township/Lat:	Range/Long:	County:	State:
Case:	Facility ID:		Associated Rights of Way:				
Lease:	HDS Date:	HDS Gas Stream:	HDS Vapors:	HDS Radius:			
Hazard:							
SME:		Operator Name:					
Please be sure to complete for inspection							
Inspector:			Company/SME Rep:			Phone #:	
Date:	Type:	Activity:	Office:	Travel:	Insp:		
General Remarks:							

Follow-up Requirements: (circle any that apply) NONE VERBAL LETTER INC NOTIFY PET

Follow-up Remarks:

CORRECT PROBLEM BY: _____ NEXT INSPECTION: _____

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY
DEVELOPMENT HANDBOOK (Internal)

<i>Drilling/Construction Inspection - Environmental</i>					
		Case #:	Well Name:		
		Lease #:	Well #:		
		Operator:	API #:		
Twn:	Rng:	County:	Facility ID:		
Sec:	Qtr:	State:	Facility Name:		
N/S Foot:	E/W Foot:	X/Y Coordinates:	H2S: Yes () No ()		
Surface Owner:			Inspection Activity: ES/ SC : SD		
Office Time:	Travel Time:	Inspection Time:	Trips:		
Inspection Open Date:		Inspection Close Date:	Inspector:		
Inspection Items	Met	Not Met	N/A	Order/ INC	Photo # Direc.
Location/Access Road/Utilities Constructed as per the Permit & Lease Stipulations?					
Unauthorized Disturbance?					
Drilling Pits (Reserve, Completion, and/or Ancillary):					
1. Pits Constructed in the Cut?					
2. Two Feet Minimum Pit Freeboard?					
3. Pits Free of Visible Leaks or Failures?					
4. Pits Free of any Accumulation of Oil, Trash and/or Debris?					
5. Pits or Location Fenced?					
Well Location & Access Road Conditions:					
1. Adequate Topsoil Properly Segregated and Stockpiled from Well Location and Road Construction Areas?					
2. Roads Well Maintained?					
3. Dust Abatement Necessary?					
4. Run-off and Run-on Diverted if Necessary?					
5. Erosion and Runoff Controlled?					
6. Natural Watercourses Free of Debris and Erosion?					
7. Pits, Cellars, Rat Holes and Other Bore Holes Back-filled?					
Utilities:					
1. Topsoil Properly Segregated and Stockpiled?					
2. Erosion Controlled?					
Facilities: Planned to be Clustered to Maximize Interim Reclamation?					
Comments, Inspection/Monitoring Results, and Additional Actions Necessary:					
Initial disturbed Acres (including pad, roads, and pipelines):					
Follow-up Requirements: (circle any that apply) NONE VERBAL LETTER INC NOTIFY PET					
08-01-07	Correct problem by:	Next Inspection date:	Date AFMSS updated:		

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY
DEVELOPMENT HANDBOOK (Internal)

<i>Production & Interim Reclamation Inspection/Monitoring – Environmental</i>							
		Case #:	Well Name:				
		Lease #:	Well #:				
		Operator:	API #:				
Twn:	Rng:	County:	State:		Facility ID:		
Sec:	Qtr:	Latitude:			Facility Name:		
N/S Foot:	E/W Foot:	Longitude:			H2S: Yes () No ()		
Surface Owner:			Present Yes ()		Inspection Activity:		
No ()					ES/IR:SP:HS:WS		
Office Time:		Travel Time:	Inspection Time:		Trips:		
Inspection Open Date:		Inspection Close Date:		Inspector:			
Inspection Item			Met	Not Met	N/A	Order/ INC	Photo # Direc.
Constructed as Per the Permit Requirements and Utilizing BMPs as Appropriate?							
Unauthorized Disturbance?							
Interim Reclamation:							
1. Facilities Clustered?							
2. Recontoured?							
3. Topsoil Redistributed on Majority of the Disturbed Areas?							
4. Seeded? Method:							
5. Reveg. Close to the Wellhead?							
6. Reveg. Close to Road Surface?							
7. Revegetation Success?							
8. Erosion and Runoff Controlled?							
9. Mulch? Type:							
10. Free of Noxious & Invasive Weeds?							
Interim Reclamation Approved? (yes) (no) Work Needed? Note Below							
Roads:							
1. Proper Drainage?							
2. Culverts?							
3. Surface Material?							
4. Gates?							
5. Cattleguards?							
6. Maintenance?							
Corridors:							
1. Erosion Controlled?							
2. Final Reclamation? Approved? (yes) (no)							
3. Power Lines Exclude Raptors?							
Color/Screening: Painted to Blend with Vegetated Background?							
Pits, Ponds, Tanks, & Other Facilities? Number and Types:							

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY
DEVELOPMENT HANDBOOK (Internal)

Pits:				
1. Adequate Freeboard?				
2. Lined? Good Condition?				
3. Leak Detection?				
4. Free of Oil & Trash?				
5. Excludes Wildlife?				
Tank Berm:				
1. Well maintained?				
2. Adequate Capacity?				
Exhaust stacks: Constructed to Prevent Bird/Bat Mortality?				
HAZMAT:				
1. Spills or leaks?				
2. Storage Issues?				
3. Drip Pans Exclude Wildlife?				
Housekeeping: Free of trash and Unnecessary Equipment?				
Comments, Inspection/Monitoring Results, and Additional Actions Necessary:				
Initial Disturbed Acres:		Interim Reclaimed Acres:		Final Reclaimed Acres:
Follow-up Requirements: (circle any that apply) NONE VERBAL LETTER INC NOTIFY PET				
08-01-07	Correct problem by:	Next Inspection date:	Date AFMSS updated:	

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND STRATEGY DEVELOPMENT HANDBOOK (Internal)

<i>Final Reclamation Inspection/Monitoring - Environmental</i>						
		Case #: Lease #: Operator:		Well Name: Well #: API #:		
Twn: Rng: Sec: Qtr: N/S Foot: E/W Foot:		County: State: Latitude: Longitude:		Facility ID: Facility Name: H2S: Yes () No ()		
Surface Owner: Present at Onsite Yes () No ()				Inspection Activity: ES/ SA		
Office Time:		Travel Time:		Inspection Time:		
Inspection Open Date:		Inspection Close Date:		Inspector:		
Inspection Items		Met	Not Met	N/A	Order/INC	Photo # Direc.
All Reclamation Work According to the Reclamation Plan?						
All Facilities Removed for Final Reclamation? (Including surface and shallow pipes, risers, markers, signs, fences, trash, etc.)						
Rock Surfacing Material Removed?						
Treatment of Oil or Salt Contaminated Soil Needed? Yes () No ()						
Treatment of Oil or Salt Contaminated Soil Occurring or Occurred? (circle one)						
Compacted Areas Ripped/Disked?						
Recontoured Back to Original Contour?		Pad?				
		Road?				
		Pipeline?				
Topsoil Replaced?		Pad?				
		Road?				
		Pipeline?				
Seeding: Broadcast? Drill? (circle one)						
Erosion Control?						
Reclamation Fence?						
Dry-hole Marker: Surface Monumented? [] Legal Description? [] Weep Hole [] Subsurface Monumented? [] Unknown? []						
Noxious or Invasive Weeds Present? Treatment Needed? [] Species?						
Revegetation Success? Density? Species?						
Site Stability?						
Final Reclamation Approved? (Yes) (No)						
Comments, Measurements, Inspection/Monitoring Results, & Additional Actions?						
Initial Disturbed Acres:				Final Reclaimed Acres:		
Follow-up Requirements: (circle any that apply) NONE VERBAL LETTER INC NOTIFY PET						
08-01-07	Correct problem by:	Next Inspection date:	Date AFMSS updated:			

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND
STRATEGY DEVELOPMENT HANDBOOK (Internal)

APPENDIX 5 INC TYPE AND CATEGORY

Production Violations	AFMSS Category Default
1. Site is not properly identified	N
2. Well equipment is not satisfactory	N
3. Environmental protection is not satisfactory	E
4. Temporary or emergency pits are not approved	E
5. Pits are not satisfactory	E
6. Surface use is not in accordance with approved plan	E
7. Monthly Report of Operations is not complete and current	(No Longer Valid)
10. Off-lease measurement is not approved (Oil)	**F
12. Other method of measuring oil and condensate is not approved	**F
13. Method of measuring oil and condensate is not satisfactory	F
14. Valves are not sealed in accordance with minimum standards	F
15. Site Facility diagram is not satisfactory	N
17. Off-lease storage of oil and condensate is not approved	**F
18. Liquid handling equipment is not satisfactory	**F
20. Commingling is not approved	F
23. Flaring or venting or other is not approved	F
24. Off-lease measurement is not approved (Gas)	**F
27. Method of measurement (other than orifice meter) of natural gas not approved	**F
28. Method of measuring natural gas is not satisfactory	F
29. Natural gas handling/treating equipment is not satisfactory	**F
31. Collection of liquids is not satisfactory	F
33. Water disposal method is not approved	N
35. Disposal of water is approved but not satisfactory	N
37. Tank batteries are not properly equipped	**F
38. Warning signs are not properly installed	N
39. If required, the contingency plan is not available	N
40. Personnel are not properly protected	N
41. Sales and management of oil, condensate and gas are not documented according to standards	F
42. Operator has not established a site security plan in accordance with standards	F
43. Operator does not maintain a seal record	F
44. Operator does not have a self-inspection program	N
50. Failed to comply with a notice, written order, or instruction of the AO	**F
51. Operator is required to submit requested paperwork	N
50. Failed to comply with a notice, written order, or instruction of the AO	**F
52. Prepared, maintained, or submitted false, inaccurate or misleading reports etc.	F
53. Failure to obtain approval for specific operations	F
81. MRO confirms the reasonableness of Production vs. Sales	(No Longer Valid)
82. MRO confirms the reasonableness of Tank capacity vs. inventory	(No Longer Valid)
83. MRO confirms the reasonableness of Well status vs. actual status	(No Longer Valid)

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND
STRATEGY DEVELOPMENT HANDBOOK (Internal)

****General Rule --** Those categories with two asterisks may be FOGRMA- or non-FOGRMA-related based upon site-specific conditions. AFMSS will default to the category indicated, and the user must review to ensure the category is correct for the actual violation. The user will have the capability of editing the field if it is actually a non-FOGRMA-related violation or order. Those items classified as FOGRMA in the listing are related to the proper production handling and measurement of product as well as items 50 and 52, which are specifically addressed in the Act itself.

Drilling Violations:	Category
1D. Approved drilling permit and plan are not on location	N
2D. Drill site is not properly identified	N
3D. Operations are not conducted in a workmanlike manner	N
4D. Operator failed to report spills	E
5D. Drill-stem test was not conducted according to minimum standards	N
6D. Hole deviation is not within approved tolerance	N
7D. Surface use is not in accordance with approved plan	E
8D. Well control and assoc. equip. is not installed, used, etc to maintain well control	N
23D. Casing or cementing operations were not conducted according to approved plan	N
28D. Mud system is not according to approved plan	N
33D. Air and gas drilling op's are not according to approved plan or minimum stand	N
37D. Hydrogen sulfide op's do not meet minimum standards or approved plan	N
50D. Failed to comply with a notice, written order, or instruction of the AO	N
51D. Operator is required to submit requested paperwork	N
52D. Prepared, maintained, or submitted false, inaccurate, or misleading reports, etc.	N

<u>Plugging Violations:</u>	<u>Category</u>
1P. Plugging/Abd. operations are not conducted according to approved plan	N
2P. Rehabilitation does not meet approved plan	E
50P. Failed to comply with a notice, written order, or instruction of the AO	N
51P. Operator is required to submit requested paperwork	N
52P. Prepared, maintained, or submitted false, inaccurate, or misleading reports	N

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND
STRATEGY DEVELOPMENT HANDBOOK (Internal)

GLOSSARY

ACRONYMS

Acronym	Full Name
AAPD	Approved Application for Permit to Drill
AFMSS	Automated Fluid Minerals Support System
AO	Authorized Officer
APD	Application for Permit to Drill
AWP	Annual Work Plan
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOPE	Blowout Preventer Equipment
CCLR	Claims Collection Litigation Report
CFR	Code of Federal Regulations
COAs	Conditions of Approval
DOD	Department of Defense
DOJ	Department of Justice
EnvS	Environmental Scientist
FOGRMA	Federal Oil and Gas Royalty Management Act
FOs	Field Offices
FS	Forest Service
FTE	Full-Time Equivalent
FY	Fiscal Year
I&E	Inspection and Enforcement
IAFMSS	Indian Automated Fluid Minerals Support System
IBLA	Interior Board of Land Appeals
IMs	Instruction Memorandums
INC	Notice of Incident of Noncompliance
IRS	Internal Revenue Service
LACT	Lease Automatic Custody Transfer
MMS	Minerals Management Service
MOUs	Memorandums of Understanding
NCIF	National Center Intake Facility
NIA	Notice of Intent to Abandon
NIAFMSS	Non-Indian Automated Fluid Minerals Support System
NOC	National Operations Center
NOS	Notice of Staking
NRS	Natural Resource Specialist

H-3160-5 - INSPECTION AND ENFORCEMENT DOCUMENTATION AND
STRATEGY DEVELOPMENT HANDBOOK (Internal)

NTC	National Training Center
NLTs	Notices to Lessees
OGOR	Oil and Gas Operations Report
OJT	On-the-Job Training
OOGO	Onshore Oil and Gas Order
PAT	Production Accountability Technician
PET	Petroleum Engineering Technician
PTA	Planning Target Allocation
RLOC	Reclaimed Location
SD	State Director
SDR	State Director Review
SO	State Office
SRS	Surface Resource Specialist
SSN	Social Security Number
TIN	Taxpayer Identification Number
UAPD	Unapproved Application for Permit to Drill
UNOS	Unapproved Notice of Staking