



**MIDSTREAM'S GREATEST RESOURCE**

December 14, 2015

**VIA ELECTRONIC FILING**

Director Neil Kornze  
U.S. Department of the Interior  
Bureau of Land Management  
Mail Stop 2134 LM  
1849 C Street, NW  
Washington, D.C. 20240

**Re: Docket No. BLM-2015-0003 (Onshore Order No. 3): Proposed Rule on Onshore Oil and Gas Operations; Federal and Indian Oil and Gas Leases; Site Security; Federal Register Vol. 80. No. 133 (Monday, July 13, 2015); RIN 1004-AE15**

Dear Director Kornze:

The Gas Processors Association (GPA) appreciates the opportunity to submit comments on the Bureau of Land Management's (BLM) proposed rulemaking "Onshore Oil and Gas Operations; Federal and Indian Oil and Gas Leases; Site Security," 80 Fed. Reg. 40768 (July 13, 2015).

GPA has served the U.S. energy industry since 1921 as an incorporated non-profit trade association. GPA is composed of over 100 corporate members of all sizes that are engaged in the gathering and processing of natural gas into merchantable pipeline gas, commonly referred to in the industry as "midstream activities." Such processing includes the removal of impurities from the raw gas stream produced at the wellhead, as well as the extraction for sale of natural gas liquid products ("NGLs") such as ethane, propane, butane and natural gasoline. GPA members account for more than 90 percent of the NGLs produced in the United States from natural gas processing. Our members also operate hundreds of thousands of miles of domestic gas gathering lines and are involved with storing, transporting, and marketing natural gas and NGLs.

BLM's proposed rule is intended to replace Onshore Oil and Gas Order Number 3, Site Security with new regulations. Order 3 establishes minimum standards for oil and gas facility site security. It includes provisions intended to ensure that oil and gas produced from Federal and Indian (except Osage Tribe) oil and gas leases are properly and securely handled, so as to ensure accurate measurement, production accountability, and royalty payments, and to prevent theft and loss. Order 3 was previously issued in 1989.

The proposed rule addresses Facility Measurement Points (FMP), site facility diagrams, the use of seals, bypasses around meters, documentation, recordkeeping, commingling, off-lease measurement, and the reporting of incidents of unauthorized removal or mishandling of oil and condensate. The proposed rule also identifies certain acts of noncompliance that would result in an immediate assessment.

GPA has strong concerns with this proposed rule. Specifically, we are concerned with the requirement that the FMP to be on all records. This will cause a significant change to GPA members accounting systems. This could take at the very least two calendar years to fully implement. Furthermore, this will require design changes to our members flow computers.

GPA's view is the FMP will need to be entered as a sort of tag name. This will mean every FMP will have two tag names. In addition, our members do not know of a single installed flow computer that will accept an 11 character tag name. These are basic implementation issues that we are concerned BLM has not fully accounted for.

GPA requests that BLM add a grandfathering clause allowing existing facilities to be exempt from the proposed rule. Since there is no grandfathering clause in the proposed rule, facilities that do not meet the current AGA or API recommendations will either be replaced or abandoned. This represents an undue burden on regulated entities.

The order of our comments below does not necessarily reflect the relative importance to GPA members, rather the order reflects the organization of the proposed rule.

### **3173.15**

All gas analyses including BTU content (if the CAA request includes gas) and all oil gravities (if the CAA request includes oil) for previous periods of production from the leases, units, unit PAs, or CAs proposed for inclusion in the CAA, up to 6 years before the date of the application for approval of the CAA. Providing 6 years of prior period gas analysis and oil gravity data is unnecessary. Historically gas and oil compositions remain consistent after in well(s) are on-line. Propose to change this requirement to two years of gas analysis and oil gravity data.

**Economic Impact Statement for 3173.15:** Could require unnecessary storage of data.

### **3173.16(a)**

Upon receipt of an operator's request for assignment of an FMP number to a facility associated with a CAA existing on the effective date of this subpart, the AO will review the existing CAA for consistency with the minimum standards and requirements for a CAA under § 3173.14 of this subpart. The AO will notify the operator in writing of any inconsistencies or deficiencies. Does not require a timeline for the AO to respond to operator any inconsistencies or deficiencies. Proposed language: Upon receipt of an operator's request for assignment of an FMP number to a facility associated with a CAA existing on the effective date of this subpart, the AO will review the existing CAA for consistency with the minimum standards and requirements for a CAA under § 3173.14 of this subpart. The AO will notify the operator, within 20 business days for receipt of operator's request, in writing, of any inconsistencies or deficiencies.

**Economic Impact Statement for 3173.16(a):** Slow or delayed responses from BLM could result in lost revenues to U.S. taxpayers. In the best interest of U.S. taxpayers it's vital for BLM to place upon themselves effective, efficient, manageable, realistic and achievable timelines.

### **3173.16(c)**

The AO may impose new or amended COAs on an existing commingling approval to make the approval consistent with the requirements for a CAA under § 3173.14 of this subpart in connection with approving the requested FMP. If the operator appeals one of more of the new COAs, the existing FMP approval will continue in effect during the pendency of the appeal. This section is unreasonable. Once *an existing* commingling approval has been made, the AO *should not* have the ability to randomly impose a new or amended COAs. Propose deleting the complete section.

**Economic Impact Statement for 3173.16 (c):** Places unfair financial burden on operators. Potentially puts U.S. taxpayers at risk for lost revenues.

### **3173.16(d)**

If the existing commingling approval does not meet the standards and requirements of § 3173.14 of this subpart and the operator does not correct the deficiencies, the AO may terminate the existing commingling approval under § 3173.20 of this subpart and deny the request for an FMP number for the facility associated with the existing commingling approval. This section is unreasonable. An existing commingle approval *should not* be required to meet new standards and requirements. Propose deleting the complete section.

**Economic Impact Statement for 3173.16(d):** Places unfair financial burden on operators. Potentially puts U.S. taxpayers at risk for lost revenues.

### **3173.16(e)**

If the BLM approves a new CAA to replace an existing CAA, the new CAA is effective on the first day of the month following its approval. This section is unreasonable. The BLM *should not* have the rights to terminate *an existing* CAA for any reason.

**Economic Impact Statement for 3173.16(e):** Places unfair financial burden on operators. Potentially puts U.S. taxpayers at risk for lost revenues.

### **3173.22(a)**

Involve only production from a single lease, unit PA, or CA or from a single CAA; There is no definition of CAA. Need to define CAA in the definitions.

### **3173.25(b)**

The operator must correct any inconsistencies or deficiencies that the AO identifies, or provide additional information, within 20 business days of receipt of the AO's notice. Making corrections to existing approved off-lease measurement locations to meet new standards within 20 days is unreasonable. At least 60 days should be given to update existing approved off-lease measurement locations and the associated paperwork.

**Economic Impact Statement for 3173.25(b):** The unreasonable time frame would have a financial impact to the operator.

### **3173.27(b)**

The BLM may terminate off-lease measurement approval for any reason, including, but not limited to, the following: (1) Changes in technology, regulation, or BLM policy. BLM *should*

not be able to terminate off-lease measurement approval on a whim. Existing off-lease measurement with previous BLM approval should either be grandfathered or have an economic impact study performed prior to requiring any changes. Changes to requirements should only be based on industry standards.

**Economic Impact Statement for 3173.27 (b):** Could place unfair financial burden on operators.

### **3173.29(1)**

An appropriate valve on an oil storage tank was not sealed, as required by § 3173.2 of this subpart. There is potential for this violation to occur without the operator's knowledge. The assessment should only occur if the violation was intentionally performed by the operator.

**Economic Impact Statement for 3173.29(1):** Places unfair financial burden on operator for a situation that could be out of his control.

### **3173.29(2)**

An appropriate valve or component on an oil metering system was not sealed, as required by 3173.3 of this subpart. There is potential for this violation to occur without the operator's knowledge. The assessment should only occur if the violation was intentionally performed by the operator.

**Economic Impact Statement for 3173.29(2):** Places unfair financial burden on operator for a situation that could be out of his control.

### **3173.29(3)**

A Federal seal is removed without prior approval of the AO or AR, as required by 3173.4 of this subpart. There is potential for this violation to occur without the operator's, purchaser's, or transporter's knowledge. The assessment should only occur if the violation was intentionally performed by the operator, purchaser, or transporter.

**Economic Impact Statement for 3173.29(3):** Could place unfair financial burden on operator, purchaser, or transporter for a situation that could be out of their control.

### **3173.29(7)**

Records necessary to determine quantity and quality of production were not retained, as required by § 3173.9(a)(1) of this subpart for Federal operations or § 3173.9(a)(2) of this subpart for Indian operations. \$1,000 Operator, purchaser, or transporter, as appropriate. The operator should be the only party required to retain the records. The purchaser and transporter should not be involved in record maintenance for quality and quantity transactions for BLM.

**Economic Impact Statement for 3173.29(7):** Places unfair record keeping and financial burden on the purchaser and transporter.

### **3173.2(3)**

Valves on tanks that contain oil that has been determined by the AO or AR to be waste or slop oil; It is unclear the amount of time it will take for AO or AR to determine if the product in the tank is Slop Oil.

**Economic Impact Statement for 3173.2(3):** Could require additional tanks to store slop oil while awaiting slop oil determination.

### **3173.3(1)**

Components used for quantity or quality determination of oil must be effectively sealed to indicate tampering. Some of the devices this rule requires to be sealed are not constructed to be sealed.

**Economic Impact Statement for 3173.3(1):** Purchase sealable components or build secondary device to allow sealing. (2) Additional seal &, seal logs (3) Resources to compile and manage seal logs.

### **3170**

Grandfathering: There is no “grandfathering” of facilities. This will mean that any facility not meeting current AGA or API standards will either be replaced or abandoned. This represents an undue burden on affected parties.

Recommendations:

1. Allow grandfathering of all existing installations
2. Require final rules apply to new installations
3. Require final rules apply to existing installations only when repair costs exceed 50% of the cost of a new installation

### **3170**

Discriminatory Regulation: The proposed regulations treat producers, operators and transporters as equals. However, they are not equals. The typical transporter has no equity interest in the product and therefore has no means to pass costs to equity holders.

Recommendation: Remove transporters from the regulation.

### **3170**

Discriminatory Tax Treatment: The regulations fail to recognize the current industry business models – particularly the use of Master Limited Partnerships (MLPs). Unlike C Corporations, MLPs have no mechanism for capitalizing the required changes and will be forced to expense the cost. This passes the cost immediately to unit holders.

Recommendation: Remove MLPs from the regulation.

### **3170.5**

Variances. Exciting variances are not allowed. This means that affected parties must reapply for existing variances. This places an unnecessary burden on affected parties.

Recommendation: Grandfather existing variances.

**3170.7(g)**

Required recordkeeping, records retention, and records submission. Requiring all records to contain the FMP is unnecessary and burdensome:

1. Flow computers will be required. Flow computers, while “nice to have,” are not necessary in all instances for the accurate measurement of hydrocarbons.
2. Because the FMP will be required on all papers and records, not just the final document, the FMP will need to be entered as a “tag name.” There is NO flow computer installed capable of accepting an 11 alphanumeric character tag name. In addition, this will need to be a 2<sup>nd</sup> tag name, as the existing tag names typically follow the Instrument Society of America (“ISA”) guidelines for control loop numbering, and the affected party’s internal requirements. Therefore, the flow computers will be required to contain both a primary and secondary tag name.  
Note: Because all 66,000+ FMPs will be required to have new flow computers, the industry will be bidding on limited resources, thus driving up the price and negating the accuracy of the BLM’s economic analysis.
3. In addition, the various affected parties will be required to modify their internal accounting systems to accommodate this FMP. This process will take years.

Recommendation: Require the BLM to maintain a database coordinating existing facility data (including, but not limited to, the existing tag name) with the BLM’s desired information.

**3173.3(a)(5) and 3173.3(a)(6)**

Oil Measurement system components – seals.

3173.3(a)(5) requires the “sealing” of flow computers. Flow computers typically are not capable of accepting a seal.

3173(a)(6) requires the “sealing” of back-pressure valves. This is not practical as back-pressure valves must be capable of operation.

Recommendation: Remove (5) and (6) from sealing requirements.

**3173.5(c)**

Removing Production from tanks for sale and transportation by truck. After a truck operator breaks a seal and receives a load, the truck operator is required to remain on-site until a new seal is installed. This will add many hours to the truck operator schedule as the truck operator will be waiting on the facility operator to install a seal.

Recommendation: Eliminate this requirement.

**3173.11(d)**

Site facility diagram. This section requires operators of existing facilities to submit signed diagrams within 30 days of receipt of an FMP. This presents an unnecessary burden on operators by having potentially hundreds of drawings due within a short period of time.

Recommendation: Extend the time requirement to one (1) year.

**3173.12(b) and 3173.12(f)(4)(iv)**

Applying for a facility measurement point (FMP).

3173.12(b) states: “The BLM will not approve a gas processing plant tailgate meter located off the lease, unit, or CA as an FMP.

Recommendation: The approval of a gas processing plant tailgate meter located off the lease, unit or CA may be approved by the AO.

3173.12(f)(3)(iv) identifies a CMS and requires a LACT equipped with a Coriolis meter to include a tertiary device, which typically means a flow computer.

Recommendation: The term LACT should include any type of approved meter, not just a positive displacement meter. This eliminates the terms CMS. There is no requirement for a flow computer on LACTs that include a PD meter. The Coriolis meter is equipped with a non-resettable totalizer that can be used for volume determination in the same manner as a PD meter. This rule unfairly burdens LACTs that include a Coriolis meter.

**3173.13**

Requirements for approved measurement facility points.

3173.13(c) requires the facility operator to use the FMP number beginning on the first day of the month after the FMP is issued. This presents a number of problems.

1. If an FMP is issued on the last day of the month, the FMP must be used on the next day. This does not present adequate time to address all the FMP requirements (labeling, reporting, etc.)
2. The FMP may be assigned many months prior the completion of the programming changes required to modify the operator’s accounting system(s)

**Conclusion**

GPA appreciates the opportunity to submit comments on the proposed rule. We look forward to working with the BLM as the process moves forward. Please contact me at (202)279-1664 or [mhite@gpaglobal.org](mailto:mhite@gpaglobal.org) if GPA can be of assistance.

Sincerely,

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Gas Processors Association