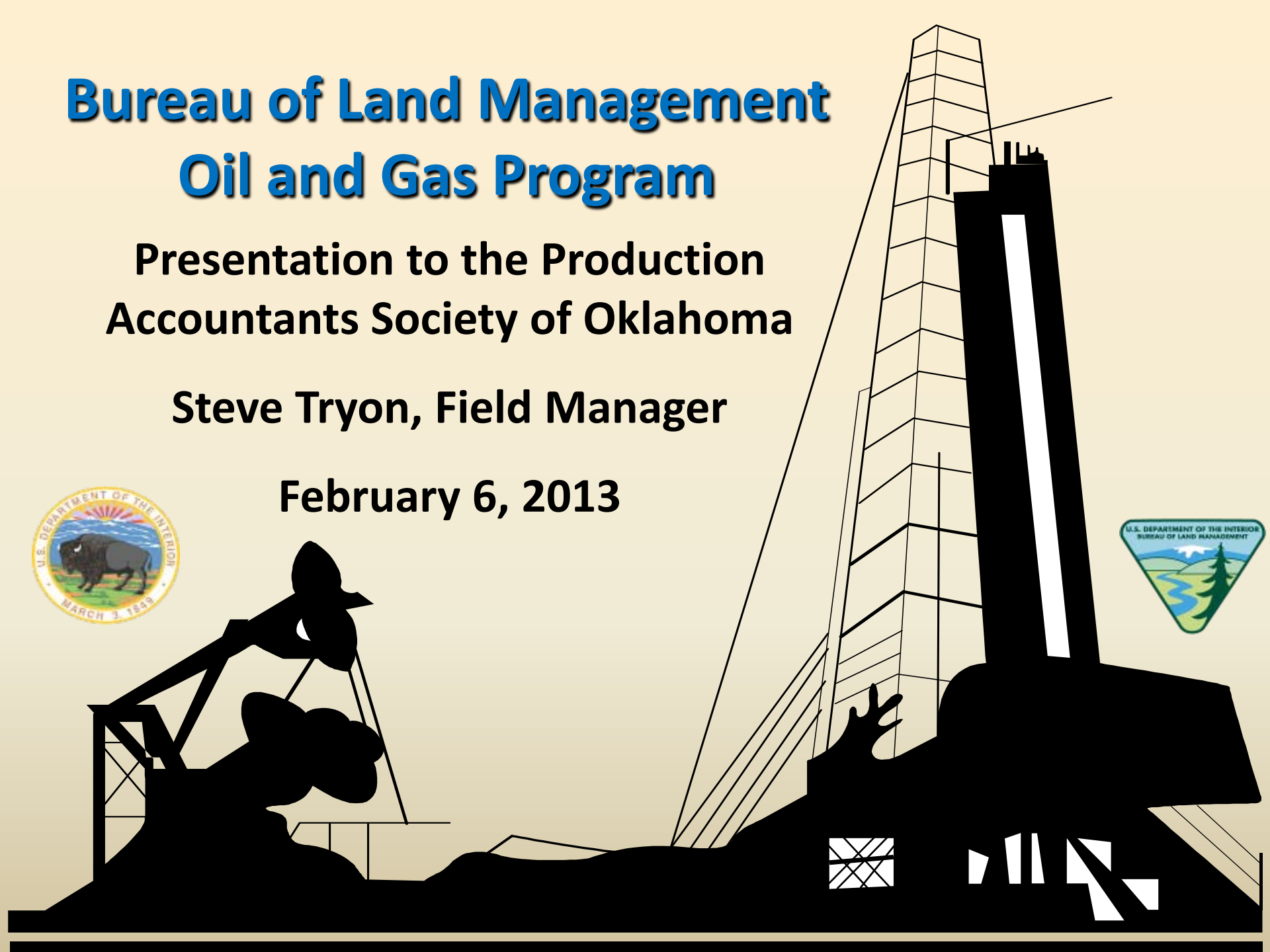


Bureau of Land Management Oil and Gas Program

**Presentation to the Production
Accountants Society of Oklahoma**

Steve Tryon, Field Manager

February 6, 2013



U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



New Mexico
Oklahoma-Texas-Kansas



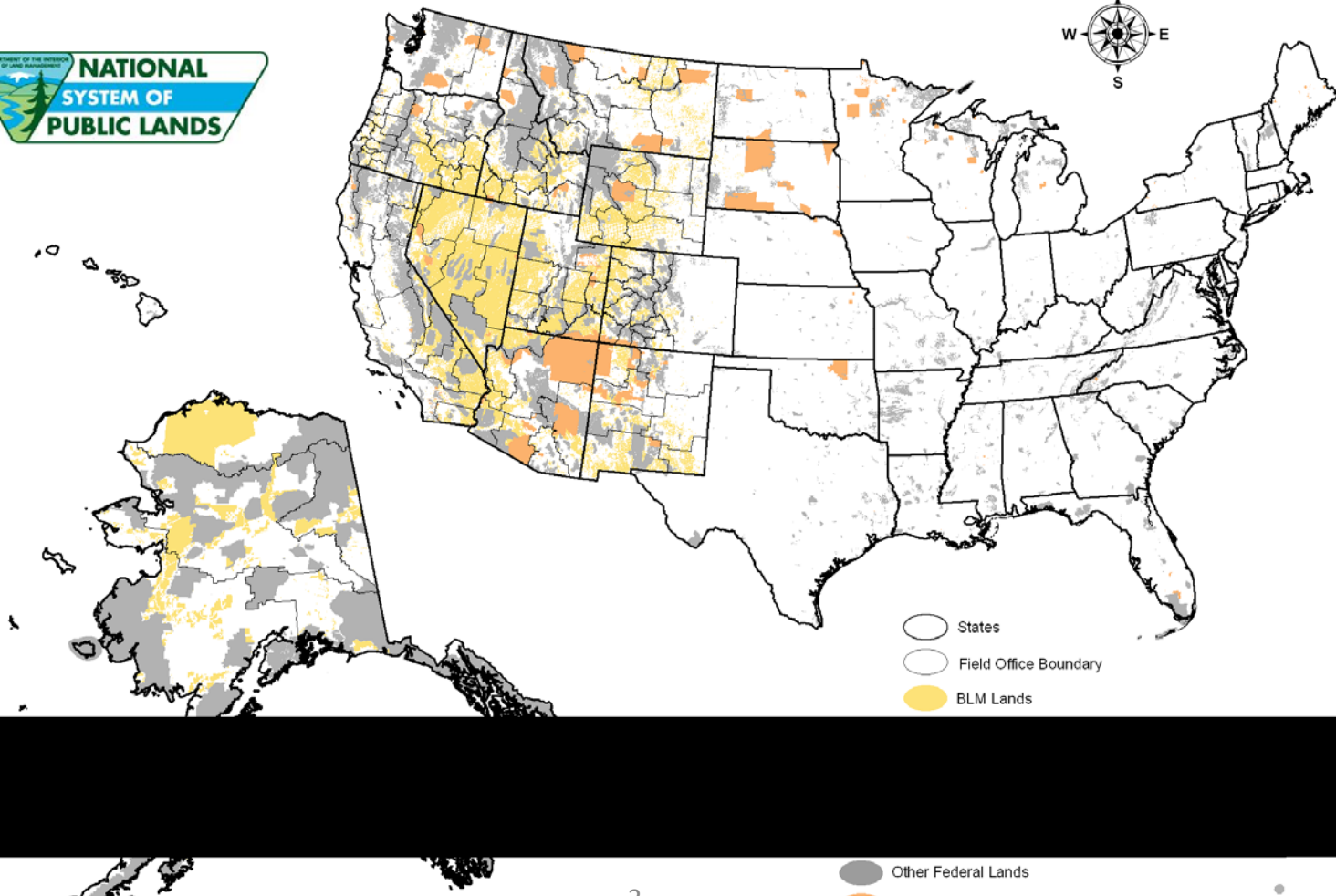
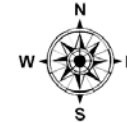
BLM

- The Bureau of Land Management (BLM) is a small agency with a big mission: management for multiple uses of nearly 250 million acres of public land and 700 million acres of mineral estate.
- These multiple uses are diverse, including energy development, livestock grazing, recreational activities, wildland fire management, and conservation.



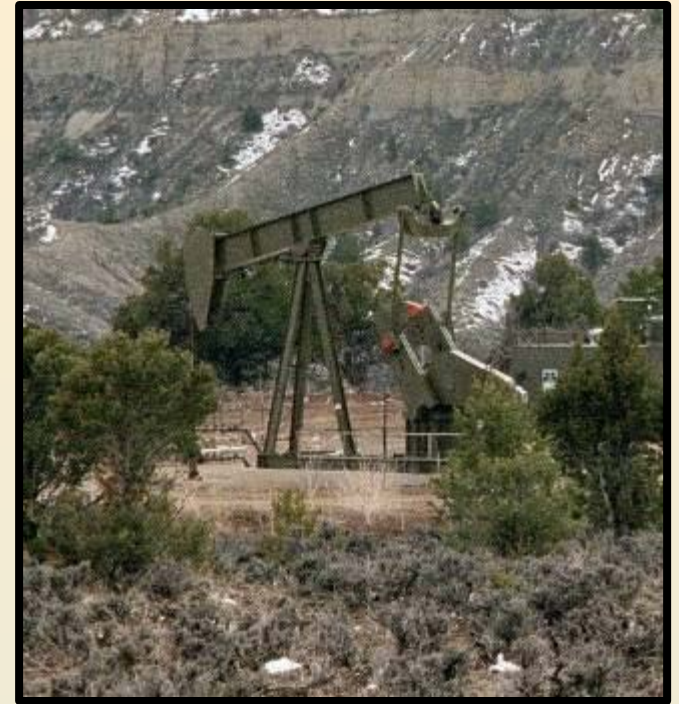
Federal and Trust Lands and Mineral Estate

Public Lands, Onshore Federal and Indian Minerals Responsibilities of the Bureau of Land Management



Energy Development on Public Lands Supports Economic Development & Revenue

- 48,000 total leases, 23,000 producing.
- BLM's program supports 6% of domestically produced oil and 14% of domestically produced natural gas.
- Development of these leases provides \$2.7 billion in royalties annually, while BLM's energy programs cost \$125 million annually to administer.





New Mexico
Oklahoma-Texas-Kansas



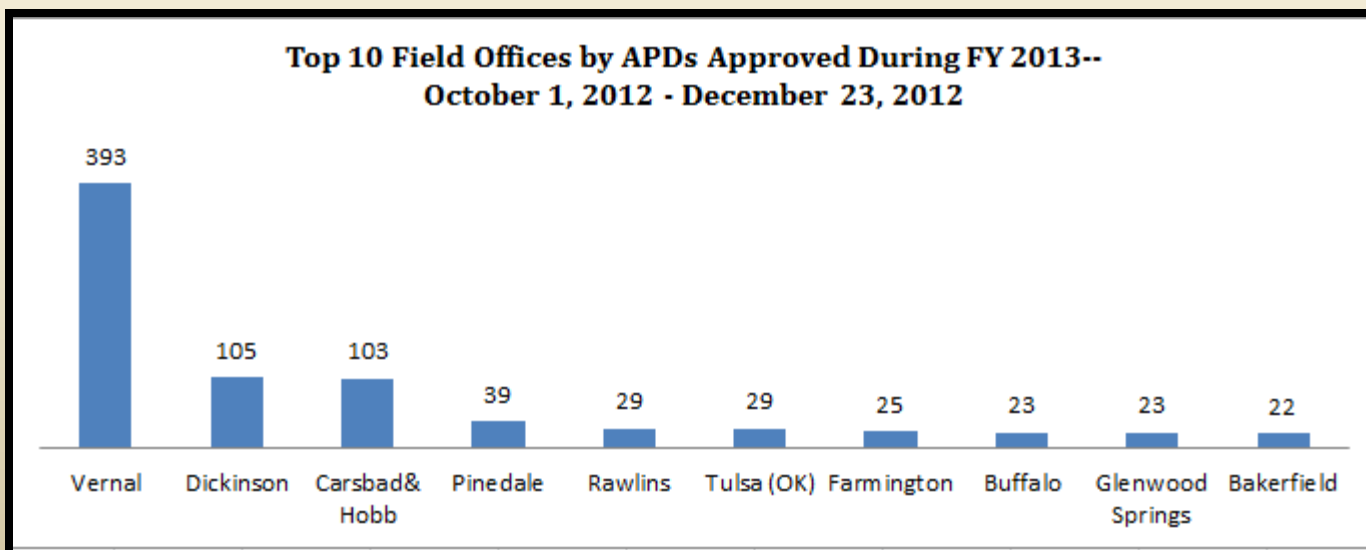
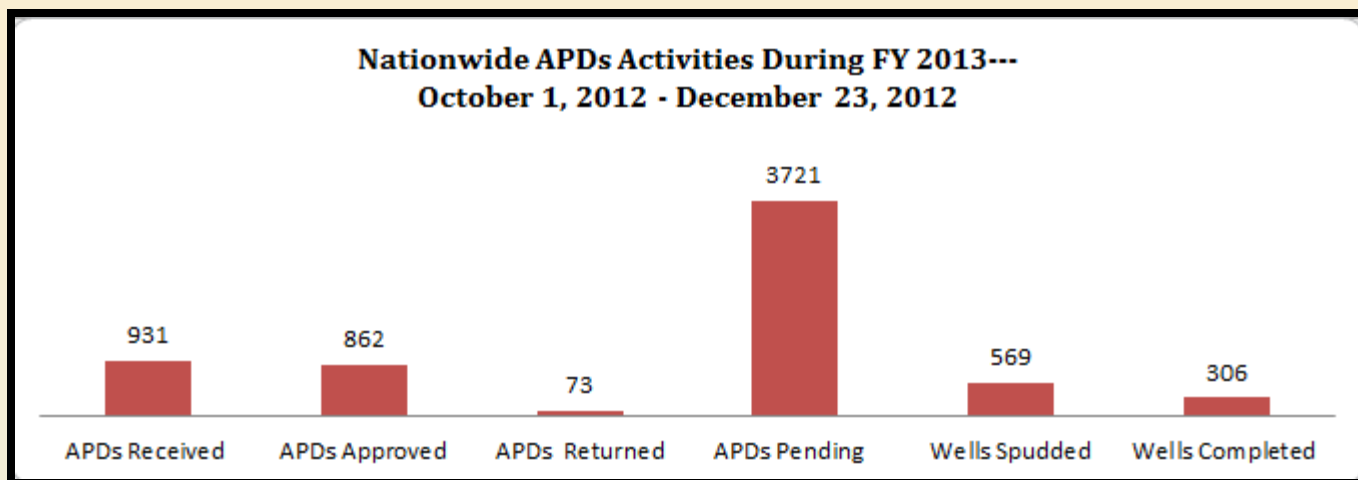
BLM's Regional Role in Energy Development (NM, TX, OK, KS)

- We manage one of the largest oil and gas programs in the agency.
- We operate the only helium storage reservoir and pipeline system in the nation.
- We're involved in development of renewable energy resources on public lands including wind, solar, geothermal and biomass.
- We have partnered with the oil and gas industry, ranchers, and other agencies to restore nearly 2 million acres of impaired habitat - including restoration of disturbance from legacy oil and gas operations.
- Over ten years, BLM-New Mexico's oil and gas leasing program has returned more than \$4 billion - just to the state of New Mexico.

North American Shale Plays (as of March 2011)



Applications for Permits to Drill, Pending and Processed in 2013



Primary Statutory Authorities

- Mineral Leasing Act of 1920
- National Environmental Policy Act of 1969
- Federal Land Policy and Management Act of 1976
- Federal Oil and Gas Royalty Management Act of 1982
- Federal Oil and Gas Leasing Reform Act of 1987
- National Energy Policy Act of 2005

BLM Program Initiatives

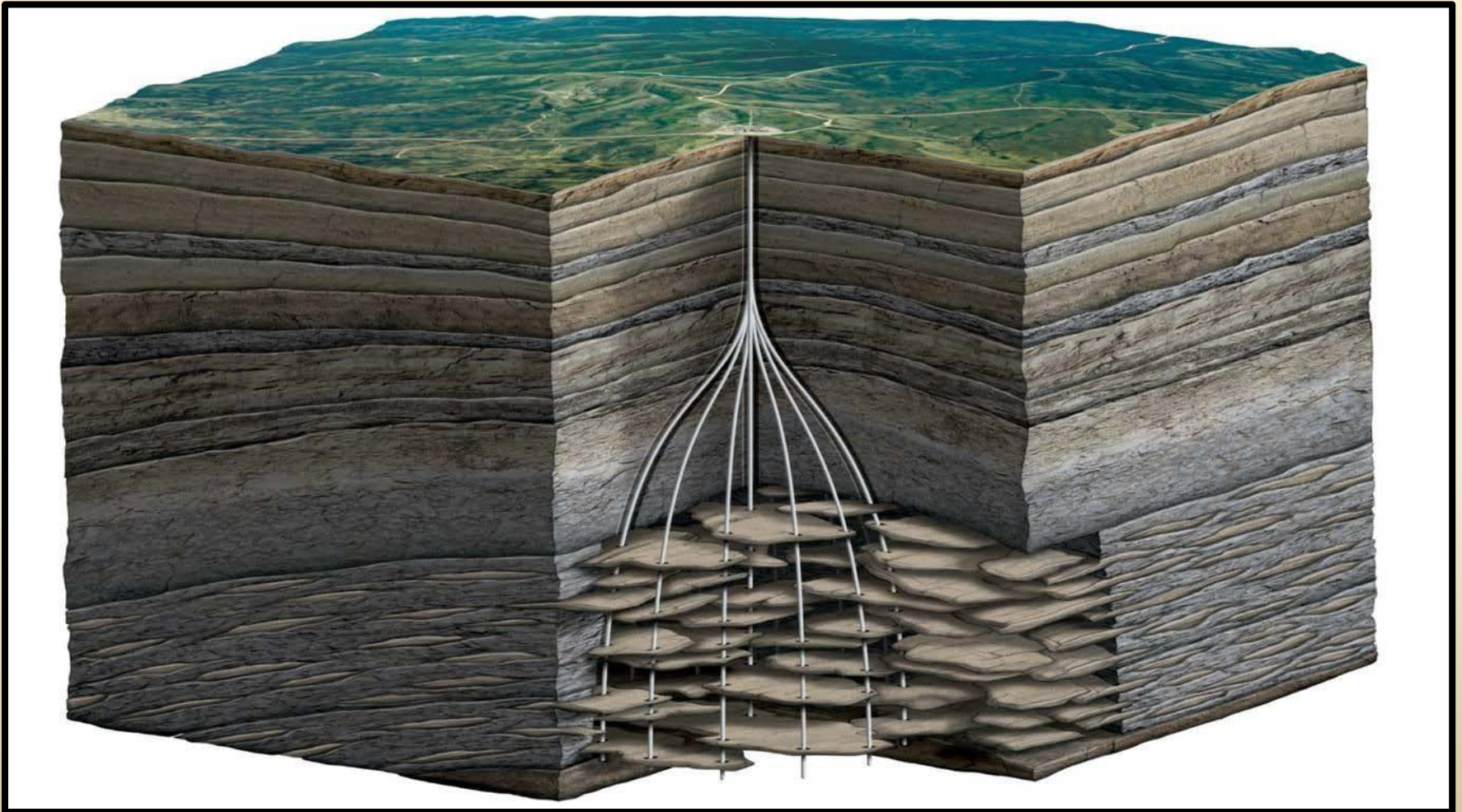
- Leasing Reform from 2010 – protests of parcels posted down to 18%. Difficult and complex, requires more time, and on-the-ground review of each parcel
- Recent GAO Audits Identify DOI as “High Risk” of assuring Production Accounting for both on-shore and off-shore development
- Audits all indicated that Onshore Orders 3, 4 and 5 need updates
- Draft Onshore Order 9, for Royalty Recovery and Emission Reduction
- Retool BLM oil and gas onshore well database (AFMSS)
- Recruitment, training and retention – losing specialized staff

Other Issues on the Horizon:

Regulations and Onshore Orders

- BLM's Onshore Orders were last revised in the 1980s, and pre-date many advances in technology that are now common in industry.
- Changes are being considered to:
 - Onshore Order # 3, to strengthen production accountability and improve site security.
 - Onshore Order #4, to improve oil measurement
 - Onshore Order #5, to improve gas measurement
 - Onshore Order #9, to address venting and flaring of gas and beneficial use.

Proposed New Rule for Hydraulic Fracturing Drilling Permit – Operations



Proposed Hydraulic Fracturing Rule Objective

The **BLM rule proposal** will focus on the need for:

- chemical disclosure;
- wellbore integrity; and
- flowback fluid management.

The BLM emphasizes there is already the drilling permit review – engineering, downhole and geologic analysis for appropriate casing and cement placement, for the life of the well.

Update on Automated Fluid Mineral Support System (AFMSS)

- Internet
 - Replace AFMSS with an integrated database supported by automated workflows
 - Use the Carlsbad system as starting point for requirements
- Operator Accessibility
 - Electronic Document Submittal of Notices of Staking (NOS), Applications for Permit to Drill (APDs), and Sundry Notices (SNs).
- Transparency
 - Public access to a limited portion of the System
 - Public comment system
 - Real-time tracking of the APD

Production Accountability Inspections/ 2012 O&G Recoveries

- Inspections are conducted to assure Oil, Gas, & Water produced from Federal or Indian Cases is measured, reported, and disposed of correctly.
- Anomalies found are verified with the current operator and sent to ONRR for inclusion in the correct OGOR monthly report.

National Recoveries

Gas Recovered – 45,637,022 MCF

Oil Recovered – 3,888,231 BBL

4-State Regional Recoveries

Gas Recovered – 24,354,531 MCF

Oil Recovered – 1,462,404 BBL

Oklahoma Field Office Recoveries

Gas Recovered – 17,774,685 MCF

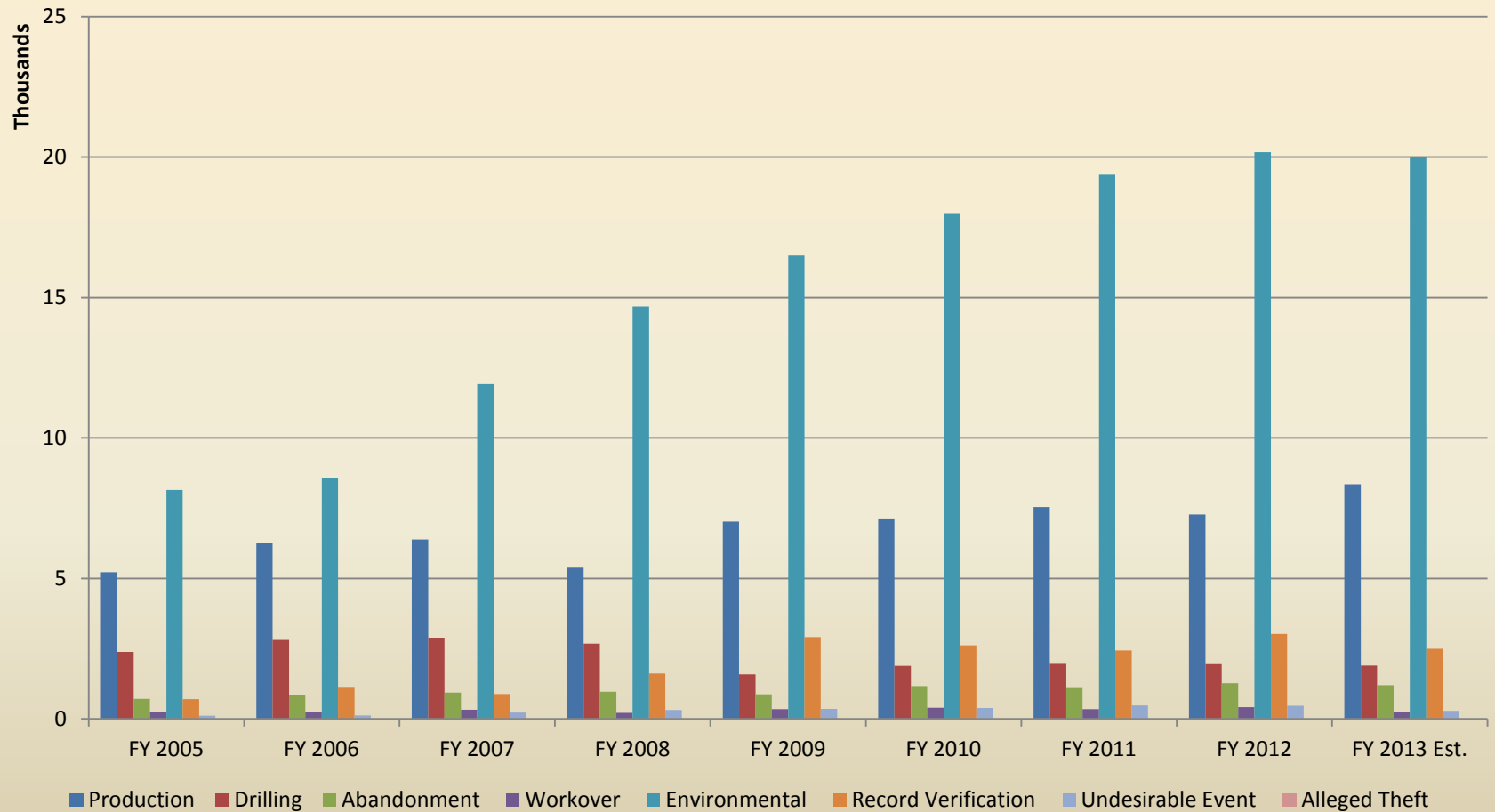
Oil Recovered – 442,055 BBL

National Inspection Accomplishments

FY 2012

- Determined that 3,888,231 barrels of oil and 45,637,022 MCF of gas were under reported – roughly \$400 million in product FY 2012
- Completed 10,297 total production inspections – emphasis on High Risk properties, also responsive to GAO
- Completed 20,171 environmental inspections – ensure Best Practices, minimized footprint/disturbances
- Issued 5,347 Notices of Incidence of Noncompliance
- Completed 1,951 drilling inspections – ensure public safety, well control, zonal isolation

Comparison of Inspection Types 2005-2013





Oklahoma Field Office: Fluid Mineral Accomplishments, FY 2012

- 119 Applications for Permits to Drill Approved (11th in the agency)
FY 2011 77 APDs approved.
- 250 O&G Agreements Processed (5th in the Agency). Includes 130 Communitization Agreements (CA).
FY 2011 35 CAs approved.
- 1,800 reviews of Indian Lease Proposals (1st in Agency)
- 1,800 well inspections (7th in agency)
- 700 Fluid Mineral Drainage Reviews (1st in Agency)



New Mexico
Oklahoma-Texas-Kansas



Texas-Oklahoma-Kansas: Issues on the Horizon: Drilling Without an APD

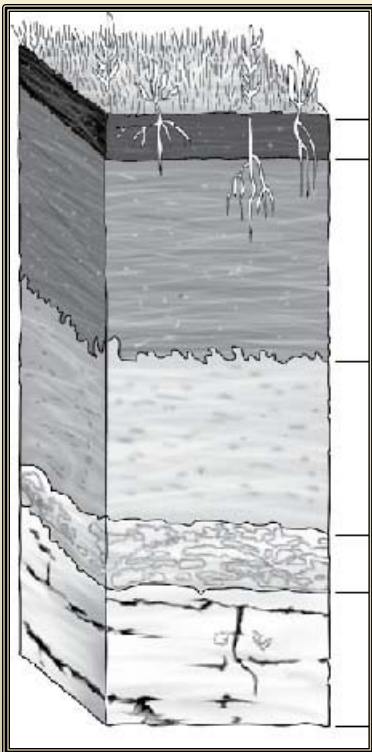
- Drilling without a Federal permit occurs more frequently in Oklahoma and Texas than in New Mexico, partly because the NMOCD will not approve the State permit without proof of BLM approval on the Federal side.
- The Oklahoma Field Office discovered 22 new cases in FY2012
- Recently, drilling without approval has mostly involved horizontal wells drilled from private minerals into Federal or Indian minerals.
- Drilling into Federal or Indian minerals requires a permit from BLM. Non-compliant operators are subject to fines or shut-in.



New Mexico
Oklahoma-Texas-Kansas



Texas-Oklahoma-Kansas: Issues on the Horizon: Complexities of Split Estate



- Much of the OFO's stewardship role is carried out in a split-estate environment.
- In some cases, even the subsurface estate is segregated (Fed coal and private coal-bed natural gas in the same stratum), or active and expired Indian leaseholds in the same vertical column.

Texas-Oklahoma-Kansas:

Issues on the Horizon: Complexities of Horizontal Drilling

Multiunit Drilling

Sections 18 & 19-3N-11E Coal County



- Multi-section lateral wells introduce complexity of permitting, inspecting, reporting, and revenue-sharing (CAs and Units).
- Complexity is magnified when horizontal wells are introduced into existing vertical development that is already subject to a legal revenue-sharing agreement.
- Engineering specifications and permit requirements (e.g., well pressures and casing strengths) are more complex in a well that is both vertical and horizontal.

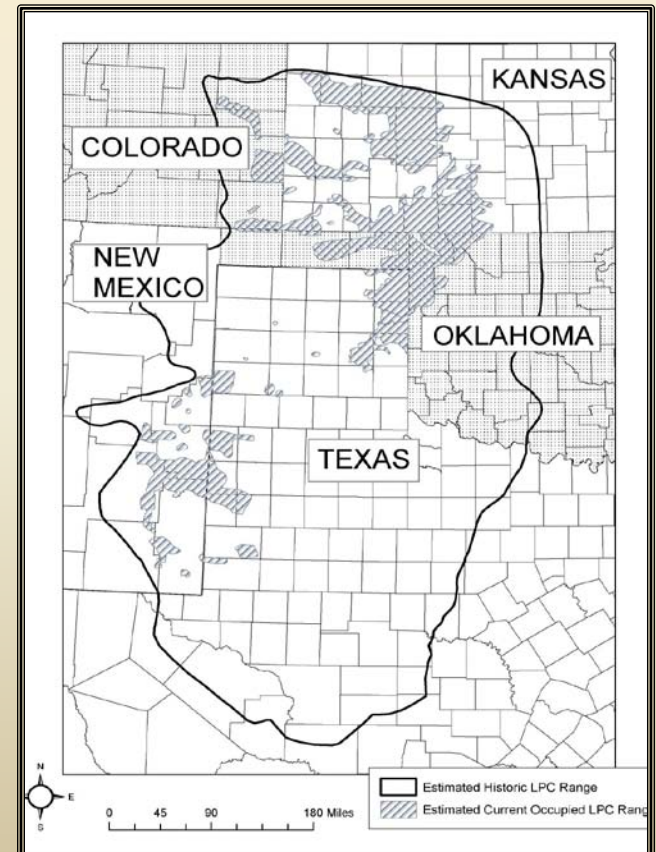


New Mexico
Oklahoma-Texas-Kansas



Texas-Oklahoma-Kansas: Issues on the Horizon: ESA Listing Decisions

- A Lesser Prairie Chicken ESA listing decision could lengthen time frames for BLM to issue decisions that result in a surface disturbance in portions of a five-State area.
- BLM is working with industry, the States, and the U.S. Fish and Wildlife Service on candidate conservation strategies that would offer some certainty of continued O&G operations in the event of LPC listing.



U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



New Mexico
Oklahoma-Texas-Kansas



BLM

Texas-Oklahoma-Kansas: Inter-Agency Cooperation

- BLM Oklahoma has a team member on the AFMSS/OGORs well reconciliation project (S. Witter).
- BLM is working with ONRR on OGORs reporting for multi-section wells.
- BLM has had discussions with several agencies (including ONRR) about sharing office space in a Service First facility in Oklahoma City.
- BLM and BIA are preparing to develop a joint environmental impact statement analyzing Federal and Indian minerals in a 3-State area, to support planning, cumulative impacts analysis, leasing, and permitting.
- BLM is leading an ecoregional assessment in portions of TX, OK, KS, CO, and NM. This effort will be a partnership with 5 state governments, USGS, USFS, NRCS, and FWS resulting in shared research, datasets, and decision-support tools.