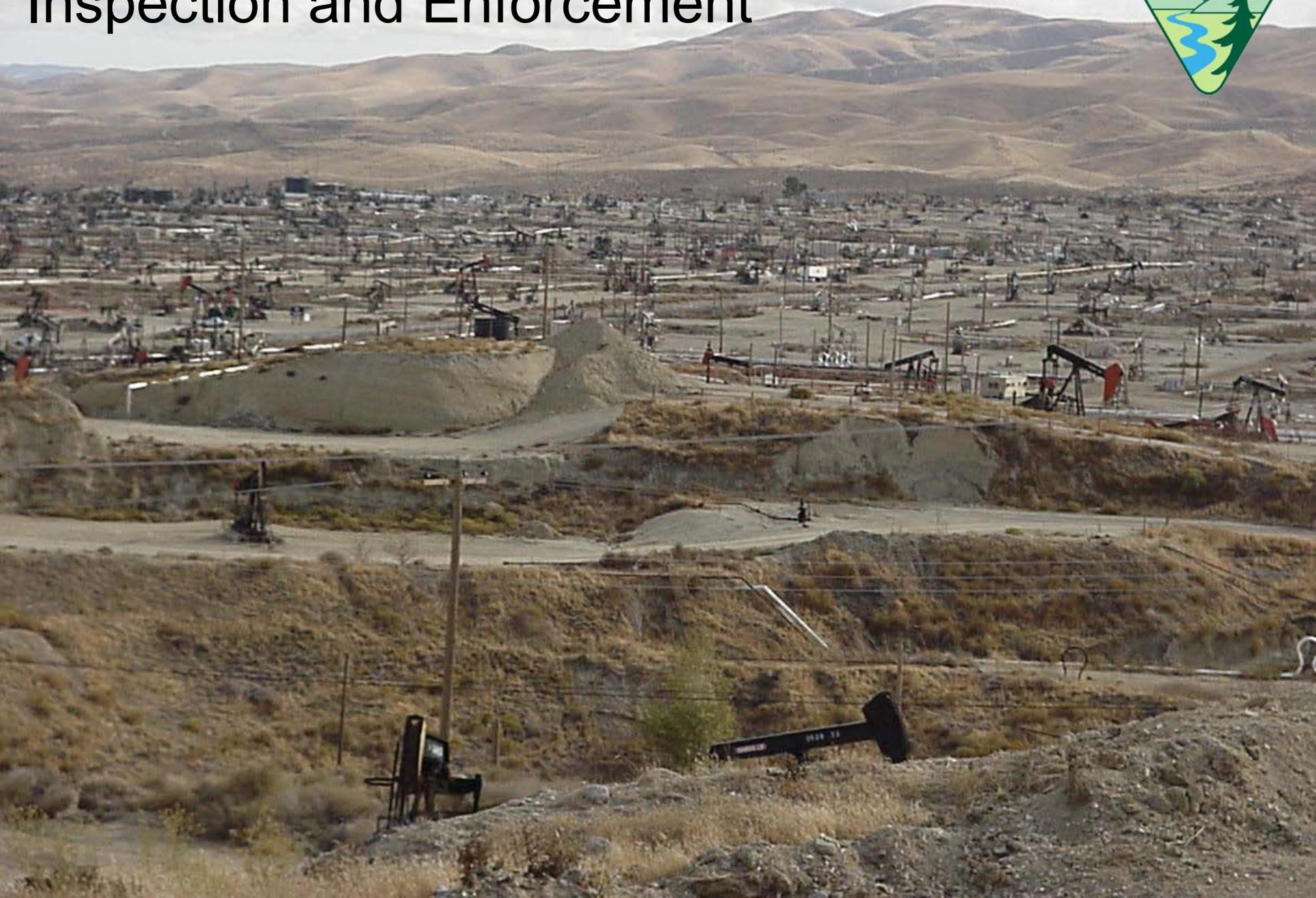


Inspection and Enforcement





Inspection and Enforcement

Course Objective:

Managers will be able to apply their knowledge and understanding of the program processes, roles, authorities and responsibilities to manage oil and gas resources.





Inspection and Enforcement



Program Objective:

To ensure compliance with applicable laws, regulations, Onshore Operating Orders, Notices to Lessees, lease terms, orders of the authorized officer and any permit condition of approval.





Inspection and Enforcement

Results of a healthy I&E program

- Healthy lands for future generations,
- Clean water,
- Respect from the industry,
- Voluntary compliance,
- Public support for the Bureau,
- Fiscal accounting of production



Inspection and Enforcement

Program Objective:

- **To ensure protection of the surface and subsurface environment**
- **To ensure oil and gas production from Federal and Indian lands is properly handled, accurately measured and reported correctly**

Inspection and Enforcement



Program Objective:

- **To reduce the Bureau's liability by ensuring that the health and safety of the public is protected**
- **Conservation of resources with regard to oil and gas activities on Federal and Indian lands**



Inspection and Enforcement

Ensure

- **To Make Sure - To Insure**
- **To Make Certain**
- **To Guarantee**

Inspection and Enforcement



Authority:

- **Mineral Leasing Act of 1920 as amended**
- **Federal O&G Royalty Management Act of 1982**
- **Indian Mineral Leasing Act 1938**
 - **allotted leases**



Inspection and Enforcement



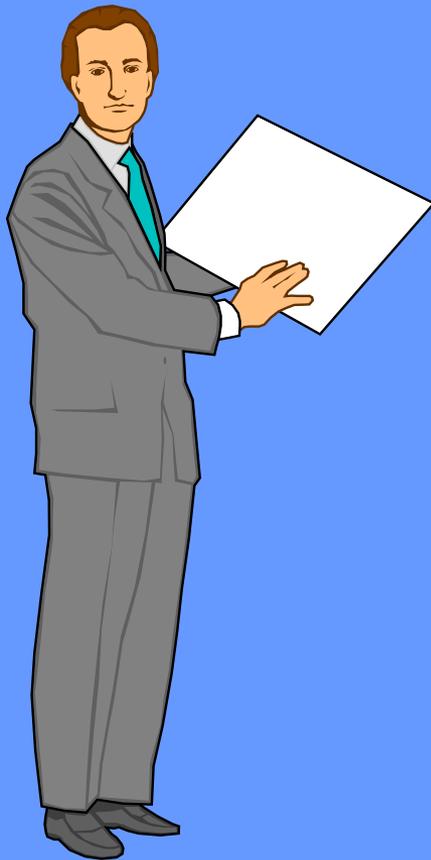
Regulatory Authority

- Operating Regulations at 43 CFR Part 3160
- Onshore Operating Orders
- Notices to Lessees (NTLs)
- Terms of the Lease
- Orders of the Authorized Officer
- Permit Conditions of Approval



Inspection and Enforcement

How did we get here?



- Audits by GAO, OIG and Senate Select Committee on Indian Affairs identified:
 - Need more oversight of the program
 - BLM not accounting for production
 - Strategy not effective
 - Poor documentation of Inspections
- Resulted in being designated a Material Weakness

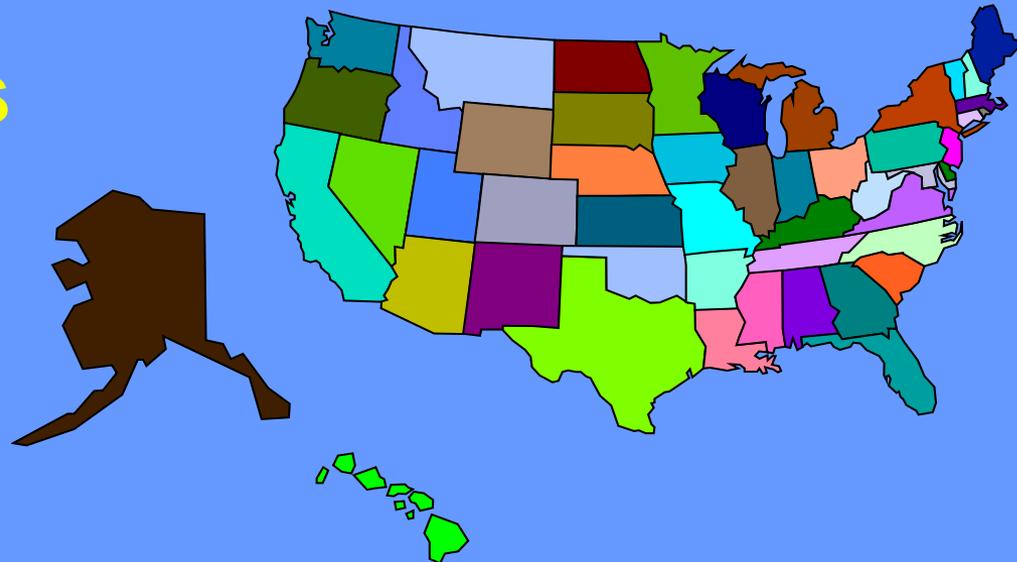


Inspection and Enforcement



Program Size

- 31 Offices
- 137 Inspectors
- 22,500 Cases
- 72,500 Wells
- \$965 Million Collected



Inspection and Enforcement



FOGRMA

**Sec. 101 (b) (1) The Secretary shall--
establish procedures to ensure that
authorized and properly identified
representatives of the Secretary will
inspect at least once annually each lease
site producing or expected to produce
significant quantities of oil and gas in any
year or which has a history of
noncompliance with applicable provisions
of law or regulations;**



Inspection and Enforcement

Significant Production Criteria

- **12,000 barrels of oil per month**
- **120,000,000 cubic feet of gas per month**



Inspection and Enforcement



History of Noncompliance Criteria



- **2 major or 6 minor production accountability violations (including site security) in the previous 2 fiscal years**



Inspection and Enforcement

FOGRMA

Sec. 108 (b)

...The Secretary shall develop guidelines setting forth the coverage and frequency of such inspections."

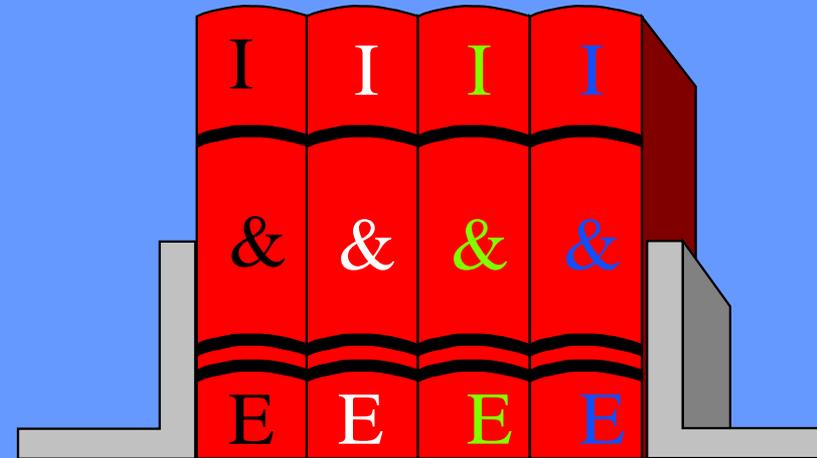
This precipitated the I&E Strategy and related Instruction Memorandums

Inspection and Enforcement



I&E Strategy

- **Frequency of inspections**
- **Prioritizing inspections**
- **Inspection plan matrix**
- **Enforcement procedures**
- **Interdisciplinary coordination**

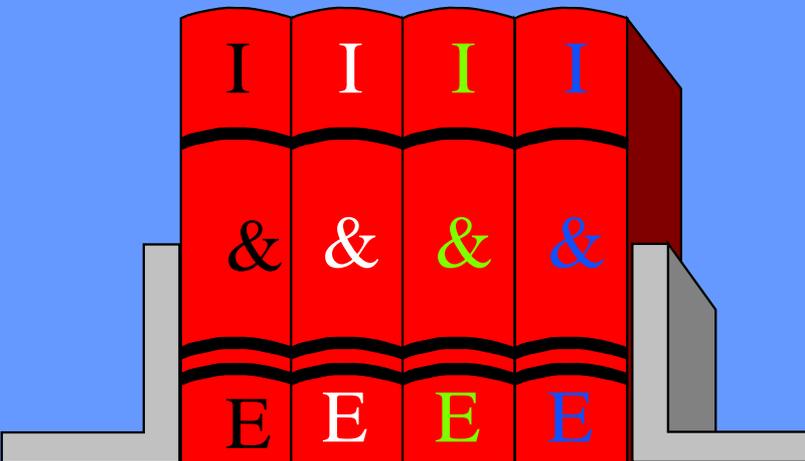




Inspection and Enforcement



I&E Strategy Cont.



- Training and certification requirements, and
- Program oversight,
- Documenting inspections,
- Work hour tools.



Inspection and Enforcement

Inspection Frequency for Production



- **Production Cases meeting the high FOGRMA criteria will be inspected annually**
- **All others production Cases - once every three years**

Inspection and Enforcement



Inspection Frequency for All Other Cases

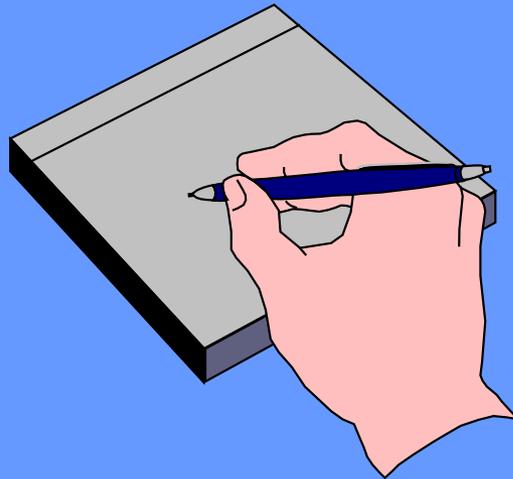


- **All other Cases rated high priority to Drilling, Plugging, Environmental, Health and Safety, Legal, and Other will be inspected.**



Inspection and Enforcement

Types of Inspections



- Drilling
- Production
- Record Verification
- Plugging
- Environmental
- Undesirable Events
- Workovers

Inspection and Enforcement



Resolution of Conflicts

- High priority drilling and plugging inspections 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.



Inspection and Enforcement

Criteria for Prioritizing Inspections High



- Environmental
- Public Health and Safety
- Legal
- Other

Inspection and Enforcement



Overall Priority

- After applying the individual prioritization criteria, Cases are assigned an overall priority.
- Entered into AFMSS
- Used to determine the number of required inspections
- Used to develop the inspection plan matrix

Inspection and Enforcement



Inspection Plan Matrix

- Budget tool
- Identifies workload
- Identifies resources available complete workload
- Identifies any shortfalls to complete required inspections



Inspection and Enforcement



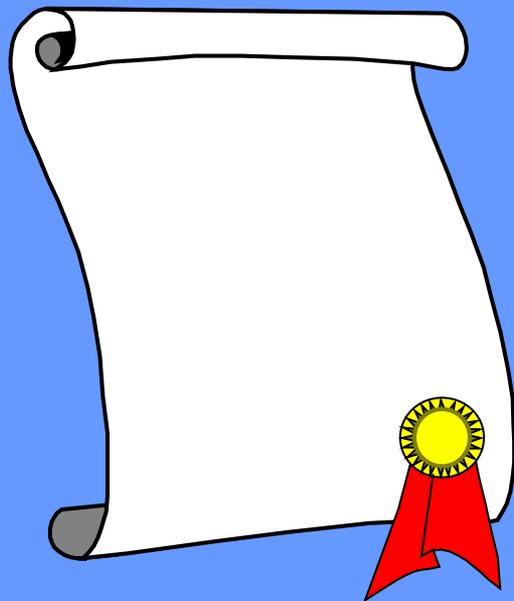
FOGRMA

**Sec. 101 (b) (2) The Secretary shall—
establish and maintain adequate
programs providing for the training of
all such authorized representatives in
methods and techniques of inspection
and accounting that will be used in
the implementation of this Act.**



Inspection and Enforcement

Certification



**This precipitated BLM's
certification program**

**WO-87-173 (currently under
revision)**



Inspection and Enforcement



Program Oversight

- Critical to the success of the I&E program
- Requires management involvement
- Review field and office work
- AFMSS is an asset to performing oversight



Inspection Documentation





Inspection Documentation

Why is documentation so important?

- Establishes a history of the operations on the lease.
- Tracks operator compliance
- It demonstrates that we are doing the job that is mandated by laws and policy.
- Tracks results of inspections



Inspection Documentation

Why is documentation so important?

- Key information to future inspections and activities.
- Critical for workload planning and resource needs.
- Supports BLM/s actions and decisions.
- Fulfills information requests from management, other agencies, the Department, Congress, etc.
- External users access data online.
- **If it was not documented, it never happened.**



Inspection Documentation

When documenting inspection information, you need to consider who is going to be using that information in the future.

Who are these future users, and why do we care about these entities?

- MMS
- BIA
- Tribes
- States
- Internal BLM
- Our Critics (IG, GAO, Senate Select Committee on Indian Affairs, etc)



Inspection Documentation

What inspection information is required to be documented?

- The type of inspection that was performed.
- What was inspected or witnessed (specific operations related to the inspection).
- Who witnessed it (including person representing the company, Tool Pusher, service company representative, etc.).
- Specific times critical activities were witnessed.
- Note any problems encountered, and how they were resolved.



Inspection Documentation

What inspection information is required to be documented?

- Any conversation or verbal requests critical to the operation or inspection where agreements or decisions were made.
- The results of the inspection or operation witnessed.
- Any violations identified and Incidents of Noncompliance (INCs) issued (written or oral).
- Any other information pertinent to the inspection.
- Any changes from the approved plan and why.



Inspection Documentation

What other information must be included in the official file?

- Any worksheets or checklists developed by your office, or other sources used to document inspection results.
- Personal notes, independent calculations performed to verify drilling and abandonment cement, spacer, and displacement volumes, and oil or gas volumes.
- Job logs, service company reports, or any other information available either from the operator or his contractors should be requested if applicable to documenting operations witnessed.



Inspection Documentation

What other information must be included in the official file?

- Photographs taken to document violations need to contain a brief description of what is being photographed as well as the date and time of the photo.
- Telephone conversations relating to an inspection can be documented in several different ways. They must contain a description of what was discussed, who was contacted (name, position, and company name), and the time and date of the contact. And....



Inspection Documentation

What other information must be included in the official file?

A brief synopsis of the results of the inspection, any problems encountered and resolved, and other pertinent information including notes that may aid future inspections.



Inspection Documentation

Retention of inspection data

- The BLM's record schedule contains specific requirements for maintaining records. Premature destruction of these records carries a fine of **\$2,000** and/or **2 years** in prison.
- The schedule does not specifically address all of the records, forms, or information that is obtained or generated during an inspection, its intent is to maintain a sufficient amount of data to support the inspection.
- Therefore, when considering what information is necessary to be maintained, the following procedures shall be adhered to:



Inspection Documentation

Retention of inspection data

- All inspection forms used to document inspections (3160-10, 11, 13, 15, 16, and 17); Notice of Incidents of Noncompliance (Form 3160-9); and Notice of Shut Down of Operations (Form 3160-12) must be maintained in conformance with the BLM's Disposition Authority (refer to BLM Manual Section 1210) Schedule 4, Item 27.
- For the purposes of reviewing inspections from an oversight function, and if there was no volume discrepancy detected, all supporting records such as seal records, run tickets, daily pumpers gauge reports, gas charts, integration reports, etc, must be maintained in the file for a minimum period of 2 years after the inspection is complete.



Inspection Documentation

Retention of inspection data

- Inspection data gathered on Indian cases must be retained and disposed of in accordance with the BLM's Disposition Authority identified above, as well as any new policy developed by the Bureau as a result of the ongoing High Level Implementation Plan study.
- If a discrepancy resulted from the inspection, all supporting documents, including MRO documents, relevant to the discovery are to be maintained in conformance with the BLM's Disposition Authority. All other documents on Federal cases may be removed and destroyed.



Inspection Documentation

Retention of inspection data

- The entire AFMSS inspection printout that was taken to the field when conducting the inspection may be removed and destroyed 2 years after the inspection was completed for those inspections conducted on **Federal** cases.
- Canned reports generated from the system may be destroyed when no longer needed for current business.



Inspection Documentation

AFMSS documentation requirements

- Type of Inspection
- Inspection Activity (Measurement Vs. Non-Measurement)
- Opening and Closing dates
- Wells and Facilities Inspected
- Time (Inspection, Travel and Office)
- Purchaser/Contractor
- Results (Volume Discrepancies)
- Compliance Actions



Inspection Documentation

Key Inspection Results

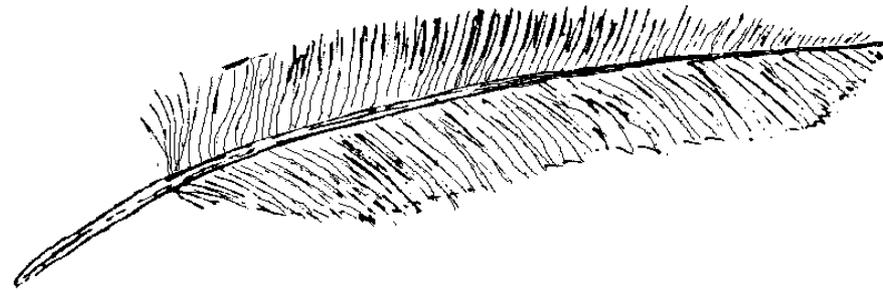
- Number of inspections
- **Volume discrepancies**
- **Number of violation**



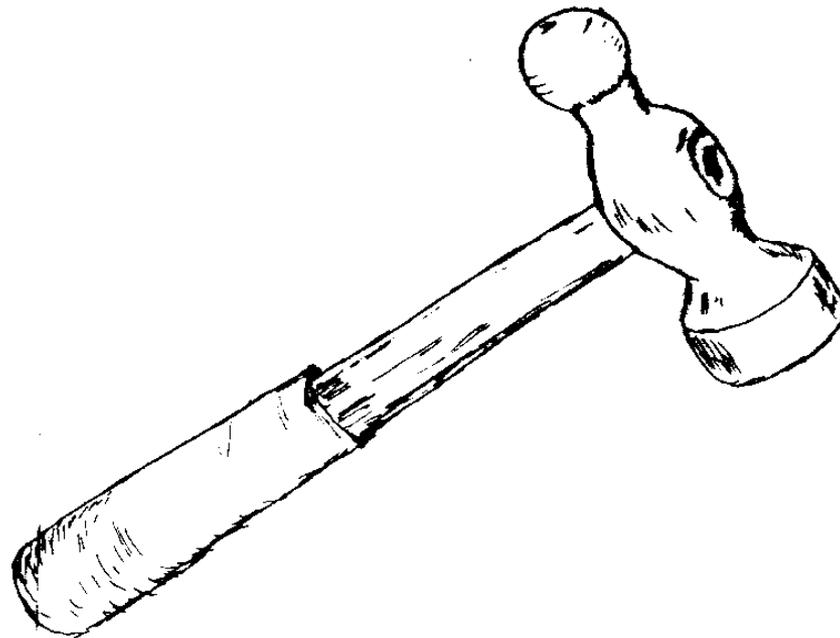
Inspection Documentation

Final Comment.....Ensure your documentation is:

- Complete,
- Concise,
- Clear,
- Legible, and
- Accurate.

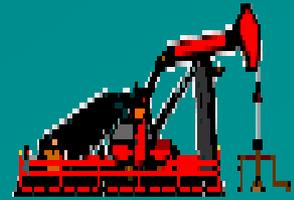


ENFORCEMENT





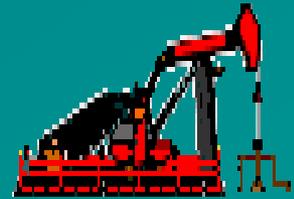
Enforcement Tools



- Proactive measures
- Order of the Authorized Officer
- Incident of Noncompliance (INC)
- Oral Warning
- Immediate assessments
- Shut down of operations
- Perform the work ourselves



Enforcement Tools



- Monetary assessments for continued noncompliance
- Civil penalties
- Attaching the bond 43 CFR 3163.2
- Lease cancellation



Proactive Compliance Measures

- Attending company safety mtgs.
- One-on-one mtgs. in the field
- Calls to the operator
- Holding operator mtgs.
- Organizing forums





Correcting Field Problems

Determine if a violation exists.





WHAT IS A VIOLATION



Written Order

**Howie Oil Company
123 Oilfield Road
Tar Patch, USA 11101**

Dear Sir:

**A recent inspection of
your Federal lease....**

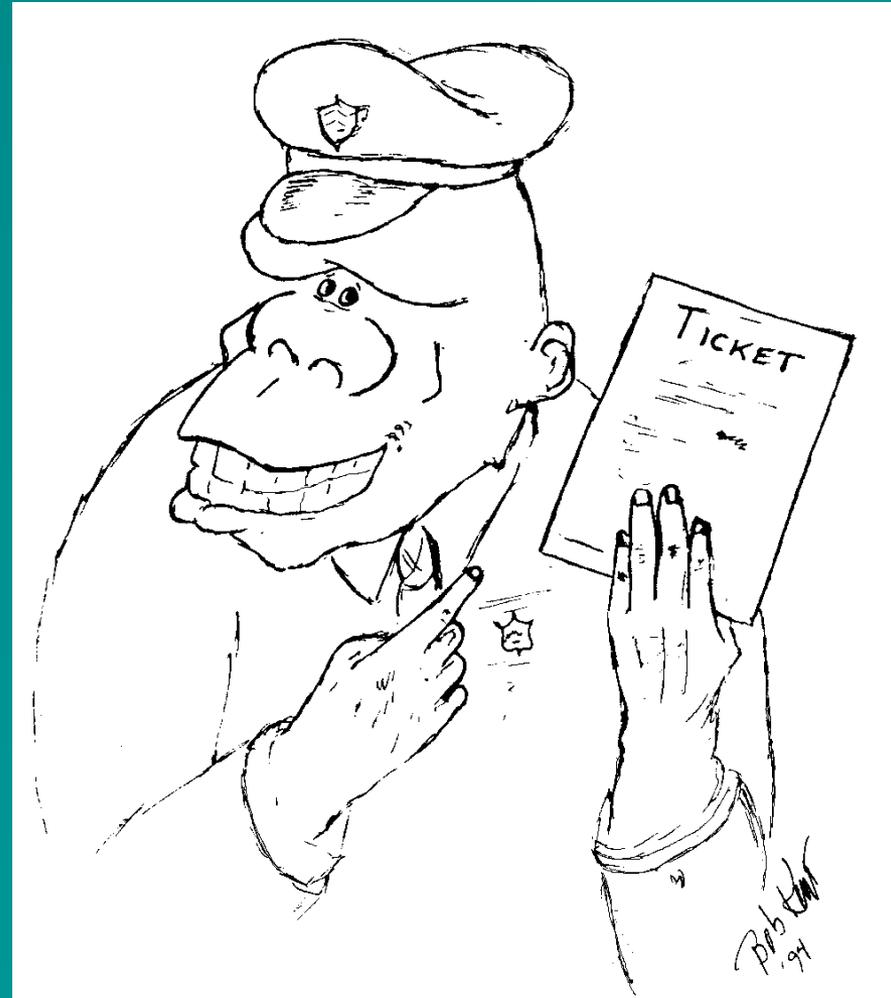
*If the situation
does not meet the
specific regulatory
requirements, it
is **not** a violation.
Issue a Written
Order instead of
an INC.*



If a violation exists....

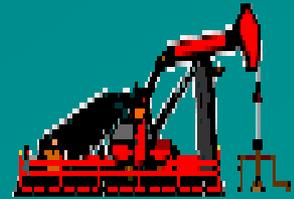


- Issue an INC in accordance with 43 CFR 3163.1.





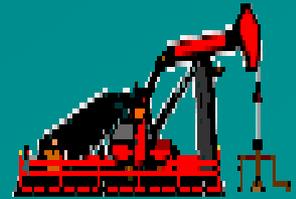
Major Violation



Means: noncompliance that causes or threatens immediate, substantial and adverse impacts on:



Major Violation

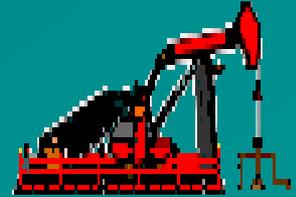


Public Health and Safety





Major Violation

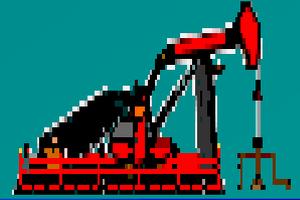


- Environment





Major Violation

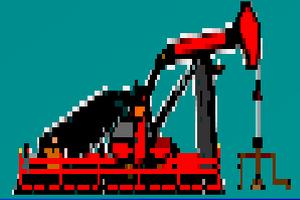


Production Accountability





Major Violation

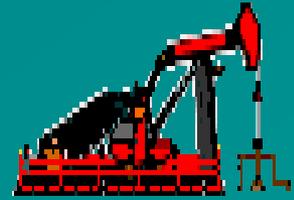


Royalty Income





Major Violation



You must make a good faith effort to contact the operator or his rep by telephone.

-§43 CFR 3165.3(a)-





Minor Violation

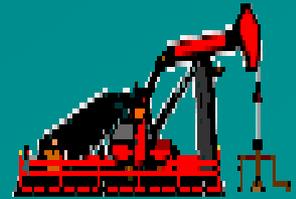


Means: Those violations that do not rise to the level of a major violation.





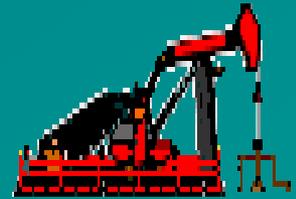
Verbal INCs



In *rare* cases, you may issue a verbal INC to correct a violation.



Follow Up Procedures



Major Violations –

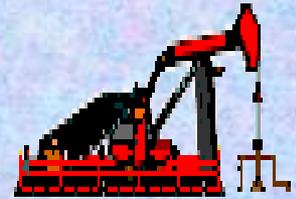
- Follow up **ASAP!**
- Issue assessment if violation is not corrected.

Minor Violations –

- If the operator fails to self certify, re-inspect before issuing another INC.



IMMEDIATE ASSESSMENTS



43 CFR 3163.1(b)

Violations of such a serious nature warrant immediate assessment.





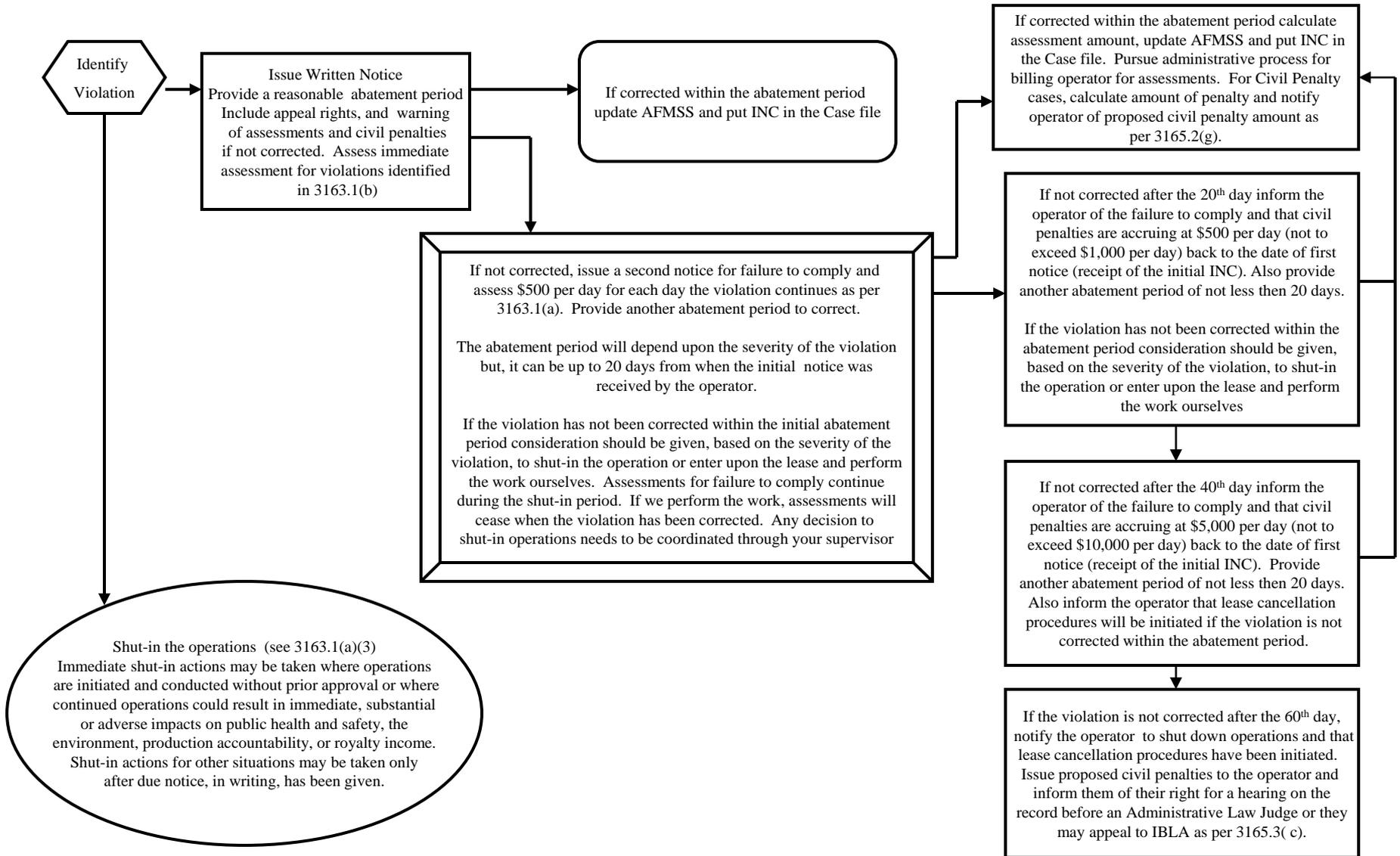
SHUT-IN OF OPERATIONS

§43 CFR 3163.1(a)(3) Options:

- Issue immediate Shut-in action;
- Use after due notice in writing



Major Violation Flowchart



For major violations it will be necessary to re-inspect the violation several times during the abatement period(s) once assessments and civil penalties have been initiated.

It is critical that every attempt is made to be in constant contact with the operator once assessments are initiated. This will help you in showing you made every attempt possible to bring the operation into compliance



Remedies for Continued Noncompliance



If the operator fails or refuses to comply with your initial notice, you have some options to consider—

- Shut-in the operation;
- Perform the work yourself; and/or
- Issue another INC with an assessment



MONETARY ASSESSMENTS



§43 CFR 3163.1(a)(1) and (2)

outlines procedures for assessments
issued for continued noncompliance
for Major and Minor violations



CIVIL PENALTIES



Three types -- §43 CFR 3163.2(a)-(k)

- Continued Noncompliance
- Immediate
- Knowing and Willful Violations



IMMEDIATE CIVIL PENALTIES



§ 43 CFR 3163.2(d)

- Transporter fails to permit inspection for documentation

\$500/day not to exceed 20 days.



IMMEDIATE CIVIL PENALTIES



§43 CFR 3163.2(e)

- Fail or refuse to permit entry for inspection

\$10,000/day not to exceed 20 days.



KNOWING AND WILLFUL



§43 CFR 3163.2(e)

- Fail to notify of first production

\$10,000/day not to exceed 20 days



KNOWING AND WILLFUL



§43 CFR 3163.2(f)

Any person shall be liable for up to **\$25,000/day** not to exceed 20 days:

- prepare, maintain, or submit false reports or other data;



KNOWING AND WILLFUL



- take or remove, transport, use or divert oil or gas from any Federal or Indian lease without legal authority;



KNOWING AND WILLFUL



- purchase, accept, sell, transport, or convey oil or gas while knowing it was stolen from a Federal or Indian lease.



LEASE CANCELLATION



§43 CFR 3163.2(j)

If a violation continues past the 20 day maximum time frame for abatement of items (d) through (f), lease cancellation proceedings shall be initiated.



Law Enforcement



If you suspect, as result of your inspection efforts, theft or fraud to be occurring contact Law Enforcement.

Law Enforcement can play a very effective role to encourage operators to maintain their leases in compliance.



Inspection and Enforcement

Final Note:

Quality inspections and documentation is the key to a successful I&E program.

Inspection and Enforcement



The End



Any Questions