



DEPARTMENT OF THE INTERIOR

Bureau of Land Management

43 CFR Part 3170

[A2407-014-004-065516, #O2509-014-004-125222]

RIN 1004-AF38

Requirements for Site Security and Production Handling; Applying for Commingling and Allocation Approval

AGENCY: Bureau of Land Management, Interior.

ACTION: Proposed rule.

SUMMARY: The Bureau of Land Management (BLM) proposes to revise its regulations governing site security and production handling and commingling applications to reflect Congress’s direction in section 50101(d)(3) of the “One Big Beautiful Bill Act” (OBBA) and policy direction in Executive Orders (E.O.s) entitled, *Unleashing American Energy* and *Ensuring Lawful Governance and Implementing the President’s “Department of Government Efficiency” Deregulatory Initiative* and policy guidance in Secretary’s Order (S.O.) 3418, entitled, *Unleashing American Energy*. The BLM is proposing to revise the regulations to allow for commingling of production more broadly to promote oil and gas production on Federal, Indian, private and State lands. Commingling of production can reduce an operator’s cost which could extend the economic life of a well, thereby allowing the operator to continue producing from a well that might otherwise be abandoned.

DATES: Send your comments on this proposed rule to the BLM on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

The BLM is not obligated to consider any comments received after this date in making its decision on the final rule.

Information Collection Requirements: This proposed rule includes revised information-collection requirements that must be approved by the Office of Management and Budget (OMB). If you wish to comment on the information collection requirements, please note that those comments should be sent directly to OMB. OMB is required to make a decision concerning the collection of information contained in this proposed rule between 30 and 60 days after publication of this document in the *Federal Register*. Therefore, a comment to the OMB on the proposed information-collection revisions is best assured of being given full consideration if the OMB receives it by [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: *Mail, personal, or messenger delivery:* U.S. Department of the Interior, Director (630), Bureau of Land Management, 1849 C St. NW, Room 5646, Washington, DC 20240, Attention: 1004–AF38. *Federal eRulemaking Portal:* <https://www.regulations.gov>. In the Search-box, enter “BLM-2025-0070” and click the “Search” button. Follow the instructions at this website.

For Comments on Information-Collection Activities: Written comments and suggestions on the information-collection requirements should be submitted by the date specified in the DATES section to www.reginfo.gov/public/do/PRAMain. Find this specific information collection by selecting “Currently under Review—Open for Public Comments” or by using the search function. If you submit comments on the information collection burdens, you should provide the BLM with a copy at the addresses shown earlier in this section, so that we can summarize all written comments and address them in the final rule. Please indicate “Attention: OMB Control Number 1004-0137 (RIN 1004-AF38)” regardless of the method used to submit comments on the information collection burdens. Comments not pertaining to the proposed rule's information collection

burdens should not be submitted to OMB. The BLM is not obligated to consider or include in the administrative record for the final rule any comments that are improperly directed to OMB.

FOR FURTHER INFORMATION CONTACT: Amanda Fox at telephone: 907-538-2300; email: afox@blm.gov. Individuals in the United States who are deaf, blind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services for contacting Mr. Warren. Individuals outside the United States should use the relay services offered within their country to make international calls to the point-of-contact in the United States.

For a summary of the rule, please click on the Docket Details tab in docket number BLM-2025-0070 on www.regulations.gov.

SUPPLEMENTARY INFORMATION:

Executive Summary

The Bureau of Land Management (BLM) proposes to revise its regulations governing site security and production handling and commingling applications to reflect Congress's direction in section 50101(d)(3) of the OBBB and policy direction in E.O. 14154, entitled, *Unleashing American Energy* and *Ensuring Lawful Governance* and; E.O. 14219, entitled, *Implementing the President's "Department of Government Efficiency" Deregulatory Initiative*; and policy guidance in S.O. 3418 entitled, *Unleashing American Energy*. The BLM is proposing to revise 43 Code of Federal Regulations (CFR) 3173.1, 3173.14, 3173.15, and 3173.16 to allow for commingling of production more broadly in order to promote oil and gas production on Federal, Indian, private, and State lands.

The BLM is proposing the revisions to these regulations to address barriers that limit the BLM's ability to approve commingling and allocation agreements (CAAs) that involve multiple sources. Commingling is the approved method for combining production from multiple leases, unit participating areas (PAs), and communitization

areas (CAs) at one measurement point with an approved method to allocate production back to each lease, unit PA, or CA. The Mineral Leasing Act of 1920 requires all production leaving a lease to be measured before it leaves the lease. Commingling allows production to leave a lease and be measured at an approved point off the lease. These agreements can be used to promote production in situations where either State spacing regulations or mixed ownership patterns may otherwise inhibit an operator's ability to develop our Nation's vital oil and natural gas resources. The existing regulations have resulted in significant operational costs, administrative burdens, and a backlog in the approval of these agreements. The proposed revisions are also intended to promote operational and business efficiency, foster responsible resource development, reduce environmental impacts, prevent the orphaning of wells from premature abandonment, and ensure that the public receives a fair return from the use of public resources. Broader commingling approvals allows more leases, unit PAs, and CAs to be combined at one facility reducing the overall facility cost and the number of points where production is transferred to buyers. Centralizing these facilities reduces the environmental impacts by reducing the number of sites where production processing occurs. Commingling can be used to move equipment out of sensitive environments to reduce the potential environmental impacts of the oil and gas development.

The Department undertakes this rulemaking pursuant to section 50101(d)(3) of the OBBB, which requires the BLM to approve applications for commingling of production if the applicant agrees to one of three standard practices to ensure accurate royalty allocation. In addition, section 226(q) of the Mineral Leasing Act (MLA), 30 U.S.C. 226 *et seq.*, which authorizes the Secretary of the Interior to enter into agreements apportioning production or royalties among tracts of land when they cannot be independently developed and the Federal Oil and Gas Royalty Management Act

(FOGRMA), 43 U.S.C. 1701 *et seq.*, authorizes the Secretary to enforce regulations governing inspection of production activities on Federal and Indian lands.

In fiscal year (FY) 2024, onshore Federal oil and gas leases produced about 675 million barrels of oil and 4.6 trillion cubic feet of natural gas, with a market value of more than \$70 billion and generating royalties of almost \$9.3 billion. Nearly half of these revenues were distributed to the States in which the leases are located.

Given the magnitude of this production and the BLM's statutory and management obligations, it is critically important that the BLM ensure that operators accurately measure, properly report, and account for that production and, where appropriate, allow for the commingling of production from Federal and Indian oil and gas leases with production from other sources.

The BLM is proposing updates to existing commingling regulations because: 1) the OBBB statutory direction to the Secretary states that he "shall approve applications allowing for commingling of production from 2 or more sources" if the applicant agrees to use one of three methods for production measurement and allocation, and 2) the regulatory updates are necessary to reflect changes in oil and gas measurement practices and technology since the existing regulations were first promulgated in 2016. Technology is more precise today than it was in 2016. This leads to better measurement equipment, such as Coriolis meters and ultrasonic meters. The OBBB modifies how BLM should address commingling approvals and allocation methodologies to address today's demands. Specifically, this proposed rule is designed to ensure the proper and secure handling of production from Federal and Indian oil and gas leases when commingled with production from other sources.

In the proposed rule, the BLM is proposing to update 43 CFR 3173.14, and codify the requirements for commingling, as explained below, consistent with section 50101(d)(3) of the OBBB and the authority granted under 30 U.S.C. 226(q). Specifically, the

proposed changes to the regulations would allow the Secretary of the Interior, through the BLM, to consider proposed commingling applications based on a variety of possible methodologies referred to in 30 U.S.C. 226(q). These proposed changes are intended to account for advancements in technology and industry practices that have occurred since the existing regulations were first issued in 2016 are expected to:

1. Increase clarity and predictability for industry operators by codifying uniform approval criteria;
2. Reduce administrative delays for commingling requests;
3. Maintain robust royalty accuracy and transparency through high-precision metering or well testing; and
4. Support integrated reservoir development and reduce unnecessary surface disturbance by encouraging centralized production infrastructure.

The proposed changes to 43 CFR 3173.14, “Conditions for commingling and allocation approval (surface and downhole),” are intended to remove conditions in the existing regulations that can limit the circumstances under which the BLM can approve a commingling application. For example, under the existing regulations, in instances when the production proposed for inclusion in the application includes production from leases, unit participating areas (PAs), or CAs, where the Federal interests are disproportionate to one another, the BLM would not allow commingling. For example, under one CA the government may own 100 percent of the minerals while only owning 50 percent on another CA. Under the current regulations, the minerals produced from these leases may not be commingled. However, under the proposed rule, such production could be commingled if certain conditions outlined in the statute are met. The BLM expects that more leases, unit PAs, and CAs could be included in commingling agreements under the proposed rule, thereby promoting additional production, particularly through the combination of producing wells and marginal wells or stripper wells. This supports the

statutory directive that the BLM does not waste Federal minerals and ensures that resources are developed efficiently.

Further, the changes made to 43 CFR 3173.15, “Applying for a Commingling and Allocation Approval,” are intended to account for certain uncertainties associated with measurement and ensuring that the uncertainty percentage meets the requirements proposed in 43 CFR 3173.14. The changes made to 43 CFR 3173.16, “Existing Commingling and Allocation Approvals,” would allow for all existing CAAs to remain in effect unless the operator adds or removes wells or modifies the facility layout, in which case the operator would need to submit a Sundry Notice Form 3160-5 to the BLM. This is important, for example, because individual wells may report to different leases, unit PAs, or CAs and can cause the uncertainty in measurement to change, resulting in a change to the allocation methodology for production reporting.

Costs and Benefits

This rule could benefit industry by improving economic efficiency at the wellsite by allowing operators to share production facilities across leases such that each lease can reduce operating costs needed to produce Federal or Indian oil and gas

The BLM estimates that it would spend \$352,170 per year in processing the additional commingling applications. The BLM has further assumed that applicants would need an additional 10 hours per application to provide a complete application to the BLM. This is represented in the Administrative Burden column on the table below.

In the benefit cost analysis of this rule, royalty payments are not considered a cost or a benefit but rather as recurring income to the United States and Indian mineral owners and costs to the operator or lessee. As such, they are transfer payments that do not affect the total resources available to society. An important but sometimes difficult problem in cost estimation is distinguishing between real costs and transfer payments. While transfers should not be included in the economic analysis estimates of the benefits and

costs of a regulation, they may be important for describing the distributional effects of a regulation. This proposed rule would allow a variance or error in measuring commingled production of up to ± 5 percent. At the extremes, if commingling happened at all Federal and Indian oil and gas leases, this rule could increase or decrease royalties from Federal onshore leases by \$365 million relative to the royalties based upon the true level of production and increase or decrease (depending on whether the uncertainty is positive or negative) royalties from Indian leases by \$54 million per year relative to the royalties based upon the true level of Indian production. These two examples are extreme because it is highly unlikely that every Federal and Indian lease would be commingled, and that the measurement uncertainty would also vary by the maximum of ± 5 percent. The change in royalties could, however, be within those two extreme bounds.

I. Public Comment Procedures

If you wish to comment on this proposed rule, you may submit your comments to the BLM by mail, personal or messenger delivery, or through <https://www.regulations.gov> (see the “ADDRESSES” section). Please note that comments on this proposed rule’s information collection burdens should be submitted to the Office of Management and Budget as described in the “ADDRESSES” section.

Please make your comments on the proposed rule as specific as possible, confine them to issues pertinent to the proposed rule, and explain the reason for any changes you recommend. Where possible, your comments should reference the specific section or paragraph of the proposal that you are addressing. The BLM is not obligated to consider or include in the administrative record for the final rule comments that we receive after the close of the comment period (see “DATES”) or comments delivered to an address other than those listed above (see “ADDRESSES”).

Comments, including names and street addresses of respondents, will be available for public review at the address listed under “ADDRESSES: Personal or messenger

delivery” during regular hours (7:45 a.m. to 4:15 p.m.), Monday through Friday, except holidays. Before including your address, telephone number, email address, or other personal identifying information in your comment, be advised that your entire comment--including your personal identifying information--may be made publicly available at any time. While you can ask us in your comment to withhold from public review your personal identifying information, we cannot guarantee that we will be able to do so.

II. Background

Because of the increasing reliance on directional drilling through lands owned by varying entities, it has become more important for operators to commingle production from leases, unit PAs, and CAs. The BLM is proposing the revisions to these regulations to conform with the statutory direction in section 50101(d)(3) of the “One Big Beautiful Bill Act” (Pub. L. No. 119-21) (OBBB) and to address barriers in the current regulations that limit the BLM’s ability to approve these types of CAAs. Because of the BLM’s limitations, these agreements have been underutilized by the regulated community as the application process is burdensome under the current regulations. As revised, the process would be streamlined and allow for more diverse mineral interests to be commingled, especially in situations where either State spacing regulations or mixed ownership patterns may otherwise inhibit an operator’s ability to develop our Nation’s vital oil and natural gas resources.

The Secretary of the Interior has the authority to undertake these regulations pursuant to Congress’s direction in section 50101(d)(3) of the OBBB and his authority under section 226(q) of the MLA, which authorizes the Secretary to enter into agreements apportioning production or royalties among tracts of land when they cannot be independently developed. In addition, the FOGRMA, 30 U.S.C. 29, authorizes the Secretary to enforce regulations governing inspection of production activities on Federal and Indian lands. The Secretary has delegated this authority to the BLM. 235 DM 1.1.

III. Discussion of Proposed Rule

A. Summary

The BLM is undertaking this rulemaking for two primary reasons: (1) To reflect Congress's direction provided in section 50101(d)(3) of the OBBB and policy direction provided in recently issued E.O.s and S.O.; and (2) To remove existing barriers to the commingling of oil and gas production to promote the development of oil and gas to meet the energy needs of the American public. As documented in S.O. 3418 released in February 2025,¹ the BLM aims to reduce barriers to the use of Federal lands for energy development, consistent with the principle of multiple use.

The Secretary of the Interior manages Federal oil and gas resources pursuant to the MLA; FOGPMA; Federal Land Policy and Management Act (FLPMA), 43 U.S.C. 1701 *et seq.*; and other statutes. The BLM is the agency within DOI responsible for regulating onshore oil and gas leasing activities for federally managed lands and the subsurface mineral estate. The BLM also regulates oil and gas development on Indian (except Osage Tribe) lands for the Secretary. The Department regulations governing site security and production allocation for onshore oil and gas are set out in 43 CFR subpart 3173. The BLM is proposing to revise some of the definitions in § 3173.1 to align with the proposed changes to the regulations governing commingling applications and is proposing to revise § 3173.14, Conditions for Commingling and Allocation Approval (Surface and Downhole); § 3173.15, Applying for a Commingling Approval and Allocation to simplify the procedures to promote the development of needed oil and gas resources; and § 3173.16, Existing Commingling and Allocation Approvals.

By revising these regulations, the BLM is removing barriers to oil and gas development thereby providing greater flexibility to oil and gas operators to coordinate

¹ DOI, S.O. 3418 - Unleashing American Energy, www.doi.gov/document-library/secretary-order/so-3418-unleashing-american-energy

their operations and reduce overall costs of producing oil and gas. The existing regulations have resulted in significant operational costs, administrative burdens, and a backlog in the approval of these agreements. The proposed revisions are also intended to promote operational and business efficiency, foster responsible resource development, reduce environmental impacts, prevent the stranding of oil and gas resources from premature abandonment, and ensure that the public receives a fair return from the use of public resources.

The proposed modifications to §§ 3173.1, 3173.14, 3173.15 and 3173.16 are described in more detail in the section-by-section analysis below.

B. Section-by-Section Discussion

The following discussion addresses proposed changes to the regulations. If a provision is not presented in this section-by-section analysis, then the provision remains unchanged from the current regulatory language.

1. Section-by-section for changes to 43 CFR subpart 3173

Section 3173.1 Definitions.

The BLM has added a new definition for “acceptable methodology” to clarify the level of measurement uncertainty that would be allowed when determining a method to allocate production from each source to be included in the commingling approval. The proposed rule would require a 2 percent measurement uncertainty or up to 5 percent measurement uncertainty if there are appropriate technical or economic justifications provided by the applicant and approved by the BLM.

The BLM has revised the definition of “access” by including a new paragraph that addresses the need for the BLM to have access to facilities that may be located on State or private lands so it can ensure the proper accounting of produced Federal and Indian oil and gas resources. Any such access would be limited to ensuring that the requirements of

these regulations are met and would not provide the BLM with any more general inspection authority as that is beyond the scope of these regulations.

The BLM proposes to remove the definition of “economically marginal property” as this concept is no longer a factor in the BLM’s analysis of a commingling application.

The BLM proposes to add a new definition for “overriding considerations” to allow the BLM to consider approval of a commingling application in situations that do not specifically meet the regulatory requirements in 43 CFR 3173.14(a).

The BLM proposes to remove the definition of a “payout period” as this definition is no longer needed based on the BLM’s proposed changes to 43 CFR 3173.14.

The BLM proposes to remove the definition of “royalty net present value” as this concept is no longer needed based on the BLM’s proposed changes to 43 CFR 3173.14.

The BLM is soliciting feedback on whether any additional definitions would be useful to implement Congress’ direction to BLM to allow for increased use of commingling.

Section 3173.14 Conditions for commingling and allocation approval (surface and downhole).

The BLM proposes to revise this section in its entirety to remove conditions in the existing regulations that can limit the circumstances under which the BLM can approve a commingling application. For example, under the existing regulation at § 3173.14(a)(3), the applicant for a CAA must demonstrate that each lease, unit PA or communitization agreement (CA) to be included in the commingling application is capable of production in paying quantities. By removing this provision, the BLM expects that more leases and CAs could be included thereby promoting additional production. By allowing for the approval of more commingling applications, the BLM expects that some leases and CAs that are not currently capable of producing in paying quantities would become capable of producing in paying quantities. This is due to the fact an approved CAA would allow an

operator to reduce the number of measurement facilities thereby reducing the day-to-day operating expenses of the lease or CA such that the lease or CA would become capable of producing in paying quantities. BLM is seeking comments from operators on this point, particularly the effect on the day-to-day operating costs due to facility consolidation. The BLM has retained the existing requirement that all facility measurement points (FMPs) for the proposed CAA measure production originating only from the leases, unit PAs, or CAs that are proposed for inclusion in the CAA. The BLM has proposed a new provision to specifically address an application that proposes to include Indian leases. In this instance, the BIA must first approve the inclusion of that production in the CAA. Overall, the BLM's proposed revisions to § 3173.14 (a) would allow for commingling, consistent with 30 U.S.C. 226(q), regardless of the nature of the Federal, Indian, State or private mineral interests, royalty rates or revenue distribution thereby promoting greater production while also providing the opportunity for operators to reduce their overall costs of production.

If the production proposed for inclusion in the application includes production from leases, unit PAs or CAs where the Federal interests are disproportionate to one another (for example, if there are varying royalty rates), this production can still be commingled if certain enumerated conditions are met. The production must be measured by an FMP that meets the requirements of subparts 3174 (Measurement of Oil) and 3175 (Measurement of Gas) and the allocation methodology must demonstrate the inclusion of measurement devices that can meet measurement uncertainties as set out in the regulations.

The BLM has also proposed revising this section to include requiring the applicant to provide notice to all interest owners that their production is proposed for inclusion in a commingling agreement and to clarify what information is needed for the application to be complete.

The BLM is proposing a new paragraph (b) that would allow the BLM to approve a commingling application if it does not meet the requirements of paragraph (a). The BLM is proposing four conditions, under which, if an applicant meets at least one of the enumerated conditions, the BLM would still approve the application. The first condition would allow the BLM to approve the application if the production to be included is 1,000 cubic feet (Mcf) per month or less over the preceding 12-month period for gas or 100 barrels (bbls) per month or less for oil. The second condition would allow the BLM to approve the application if it includes Indian leases, unit PAs, or CAs, and has been authorized under tribal law or otherwise approved by a Tribe or the allottees of the allotted lease. The third condition would allow the BLM to approve the application if it covers the downhole commingling of production from multiple formations that are covered by separate leases, unit PAs, or CAs, and the BLM has determined that the proposed commingling from those formations is an acceptable practice for the purpose of increasing ultimate economic recovery and resource conservation. The fourth condition would allow the BLM to approve the application if there are overriding considerations that indicate the BLM should approve a commingling application: (i) If it is in the public interest, notwithstanding potential negative royalty impacts from the allocation method, unless Indian leases or mineral interests are to be included, in which case the CAA cannot be approved; (ii) If the operator reasonably demonstrates that approval is necessary to prevent waste or increase ultimate recovery, but only to the extent that such considerations outweigh the possibility of incremental error in measurement of the quantity or quality of production, unless Indian leases or mineral interests are to be included, in which case the CAA cannot be approved; and (iii) Under either (i) or (ii), the BLM may approve a CAA if the Indian mineral owner consents to the CAA and has been made aware of the potential negative royalty impact. The BLM is soliciting feedback

on whether these conditions are appropriate and whether there are any other conditions that should be considered.

The BLM is also proposing to revise paragraph (c), addressing the timing for the BLM's approval of an application. Under the proposed regulation, the BLM would approve a complete application within 60 days of receipt, unless additional time is needed to complete any required environmental analysis. The BLM is soliciting feedback on whether approving the application in 60 days from receipt is the appropriate timeframe.

The BLM is soliciting feedback on whether there are additional conditions for commingling and allocation approvals that should be included in light of the broad mandate in the OBBBA to allow for commingling.

Section 3173.15 Applying for a commingling and allocation approval.

The BLM is proposing changes to the process of applying for a commingling allocation and approval. In § 3173.15(c), the BLM is proposing to add “with a calculated uncertainty percentage” to demonstrate that the uncertainty percentage meets the proposed requirements in § 3173.14. The definition of acceptable methodology places a bound of no more than 5 percent uncertainty in the reported production. The operator would be required to demonstrate in their application that the proposal is within 5 percent uncertainty or there would be overriding considerations the BLM should account for in the decision. In § 3173.15(d), the BLM is proposing to add State or private lease numbers to the list of leases, unit PAs and CAs as the BLM is now proposing to allow inclusion of these types of leases in an application under this section. The BLM proposes to revise § 3173.15(f) which requires the submittal of a Sundry Notice in certain situations by deleting “BLM managed lands” and adding instead “Federal or Indian” to address the proposed changes to the types of leases that may now be included in an application.

The BLM is proposing to substantially revise § 3173.15(k) while still maintaining the BLM's ability to ensure that production streams proposed for commingling are compatible. Instead of the current requirement to provide all gas analyses or oil gravities, depending on the type of production proposed for commingling, the BLM is revising this provision to require only the most recent gas analysis or oil gravity. The BLM is also proposing new language in this section to provide more flexibility and to address those situations for which the BTU or gravity is unknown. In this case, the applicant may provide the BLM with BTU or gravity obtained from nearby wells, unit PAs or CAs.

The BLM is also proposing to add three new paragraphs to address the expansion of the types of mineral interests that can be included in an application. In § 3173.15(l), the BLM would require the submittal of documentation that the mineral interest owners have consented to the CAA and to the BLM's inspection of any equipment required for compliance with this subpart. In § 3173.15(m), the BLM proposes to require documentation that the operator has secured access from the surface owners to allow BLM personnel to access the measurement facilities to verify production and royalty. In many cases, the surface owners and the mineral owners are different requiring consent from multiple parties to carry out the requirements of this part. Paragraph (n) addresses those situations in which the measurement equipment is not located on a Federal or Indian lease. In this instance, the operator would be required to provide documentation that the measurement equipment will be maintained in accordance with subparts 3174 and 3175.

The BLM is soliciting feedback on whether any additional changes to this section should be made in light of the broad mandate in the OBBBA to allow for commingling.

Section 3173.16 Existing Commingling and Allocation Approvals

The BLM is proposing to significantly revise this section as most of it is no longer applicable. Under the BLM's proposal, all existing CAAs would remain in effect unless

the operator adds or removes wells or modifies the facility layout. In this case, the operator would need to submit a Sundry Notice Form 3160-5 to the BLM. Any changes to the existing leases, unit PAs, or CAs included in an existing CAA would require the operator to submit a new application meeting the requirements of the new regulations.

The BLM is soliciting feedback on whether the requirements above are those necessary to effectuate the purposes of the OBBBA.

IV. Procedural Matters

Unleashing Prosperity Through Deregulation (E.O. 14192)

DOI has examined this proposed rulemaking and has determined that it is consistent with the policies and directives outlined in E.O. 14154 “Unleashing American Energy,” and E.O. 14192, “Unleashing Prosperity Through Deregulation.” This proposed rule, if finalized as proposed, is expected to be an E.O. 14192 deregulatory action.

Regulatory Planning and Review (E.O. 12866 and E.O 13563)

Executive Order 12866 provides that the Office of Information and Regulatory Affairs in the Office of Management and Budget will review all significant rules. The Office of Information and Regulatory Affairs has determined that this rule is significant.

Executive Order 13563 reaffirms the principles of E.O. 12866 while calling for improvements in the Nation's regulatory system to promote predictability, to reduce uncertainty, and to use the best, most innovative, and least burdensome tools for achieving regulatory ends. The E.O. directs agencies to consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public where these approaches are relevant, feasible, and consistent with regulatory objectives. E.O. 13563 emphasizes further that regulations must be based on the best available science and that the rulemaking process must allow for public participation and an open exchange of ideas. We have developed this rule in a manner consistent with these requirements.

This proposed rule revises the BLM's regulations governing applications for and approval of commingling application agreements which are contained in 43 CFR subparts 3173, 3173.14, 3173.15 and 3173.16. The BLM developed this proposed rule in a manner consistent with the requirements in E.O. 12866 and E.O. 13563.

Regulatory Flexibility Act

This rule would have a significant economic effect on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). Many of the operators affected by this rule are considered small businesses and the rule would have a significant overall effect. The effect would be positive as it would reduce the regulatory burden and overall expenses for small businesses. Please refer to the Regulatory Impact Analysis attached to this rulemaking for detailed information regarding the impacts and benefits to small businesses.

Unfunded Mandates Reform Act

This rule does not impose an unfunded mandate on State, local, or tribal governments, or the private sector of more than \$100 million per year. The rule does not have a significant or unique effect on State, local, or Tribal governments or the private sector, because it does not impose any costs on these entities. Therefore, a statement containing the information required by the Unfunded Mandates Reform Act (2 U.S.C. 1531 *et seq.*) is not required.

Takings (E.O. 12630)

This rule does not effect a taking of private property or otherwise have taking implications under E.O. 12630. The proposed rule would revise portions of the BLM's current rules governing measurement and site security which are contained in 43 CFR subpart 3173 and more specifically 3173.1, 3173.14, 3173.15 and 3173.16. These terms in the regulations are not considered a taking of private property as such operations are subject to the existing lease terms which expressly require that subsequent lease activities

be conducted in compliance with subsequently adopted Federal laws and regulations. The proposed rule is not a government action capable of interfering with constitutionally protected property rights. Therefore, the BLM has determined that the rule would not cause a taking of private property or require further discussion of takings implications under E.O. 12630. A takings implication assessment is therefore not required.

Federalism (E.O. 13132)

Under the criteria in section 1 of E.O. 13132, this proposed rule does not have sufficient federalism implications to warrant the preparation of a federalism summary impact statement; therefore, a federalism impact statement is not required.

The proposed rule would not have a substantial direct effect on the States, on the relationship between the Federal Government and the States, or on the distribution of power and responsibilities among the levels of government. It would not apply to States or local governments or State or local governmental entities. The rule would affect the relationship between operators, lessees, and the BLM, but it would not directly impact the States. Therefore, in accordance with E.O. 13132, the BLM has determined that this proposed rule would not have sufficient federalism implications to warrant preparation of a Federalism Assessment.

Civil Justice Reform (E.O. 12988)

This rule complies with the requirements of E.O. 12988. Specifically, this rule meets the criteria of section 3(a) requiring that all regulations be reviewed to eliminate errors and ambiguity and be written to minimize litigation; and meets the criteria of section 3(b)(2) requiring that all regulations be written in clear language and contain clear legal standards.

Consultation with Indian tribes (E. O. 13175 and Departmental Policy)

The Department strives to strengthen its government-to-government relationship with Indian tribes through a commitment to consultation with Indian tribes and

recognition of their right to self-governance and tribal sovereignty. We have evaluated this rule under the Department's consultation policy and under the criteria in E.O. 13175 and have identified the potential for substantial direct effects on federally recognized Indian tribes from this proposed rule.

This proposed rule could have an effect on Indian tribes as it would allow for production from Indian leases to be commingled with production from Federal, State and private leases potentially negatively impacting royalty payments to Indian Tribes or allottees. Conversely, though, it could extend the productive life of tribal wells and hence the royalties to Tribes by reducing some operating costs. However, the proposed rule does require the consent of Indian tribes prior to any production from Indian leases being included in a commingling agreement and requires the approval of the BIA if production from Indian leases is proposed for inclusion in a commingling agreement. Accordingly, we will consult with the affected tribe(s) on a government-to-government basis.

Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*)

The Paperwork Reduction Act (PRA) (44 U.S.C. 3501–3521) generally provides that an agency may not conduct or sponsor and, notwithstanding any other provision of law, a person is not required to respond to a collection of information, unless it displays a currently valid OMB control number. Collections of information include any request or requirement to obtain, maintain, retain, or report information to an agency, or disclose information to a third party or to the public (44 U.S.C. 3502(3) and 5 CFR 1320.3(c)).

This proposed rule contains revised information collection requirements that are subject to review by OMB under the PRA. OMB has approved the existing information collection requirements contained in 43 CFR Parts 3170 and pertaining to CAAs, specifically 43 CFR 3173.15 and 3173.16, under OMB control number 1004-0137. Additionally, certain information collection requirements contained in 43 CFR part 3170

make use of the standard form, SF-299, *Application for Transportation, Utility System, Telecommunications and Facilities on Federal Lands and Property*. OMB has approved Form SF-299 under OMB Control Number 0596-0249. The U.S. Forest Service administers OMB Control Number 0596-0249. This proposed rule would not result in changes to Form SF-299.

Currently, there are 102,439 total annual responses and 278,904 total annual burden hours approved under OMB Control Number 1004-0137. While the proposed revisions would introduce certain efficiencies and potential cost savings for both operators and the BLM, we do not anticipate that the burden would change because of the revisions contained in this proposed rule. The proposed revisions to the information collection requirements, along with the projected burden changes, are discussed below.

Revised Information Collections

1. Request for Approval of a CAA—43 FR 3173.15.

In addition to the current information collection requirements contained in § 3173.15 for CAAs, the proposed rule would add the following additional requirements:

- The most recent gas analysis performed, including BTU content (if the CAA request includes gas), and the most recent oil gravity data (if the CAA request includes oil) from each of the leases, units, unit PAs, or CAs proposed for inclusion in the CAA. In lieu of the requirements in paragraph, the operator or operators may instead submit a CAA for BLM consideration using analogous BTU content and/or oil gravity data from nearby wells for instances where BTU content and/or oil gravity are not explicitly known for the given leases, unit PAs or CAs.
- Documentation demonstrating that all other interest owners, such as private, State, or Indian, consent to both the CAA and the BLM's inspection of the equipment to ensure compliance with 43 CFR 3173, 3174 and 3175.
- Documentation demonstrating that the operator has secured all necessary access

rights from the surface owner(s), whether private, State, or Indian, to ensure that BLM staff may access the measurement facilities within the CAA for conducting and verifying production, measurement and royalty.

- Documentation demonstrating that the operator maintains and operates the measurement equipment in accordance with 43 CFR 3174 and 3175 for production equipment that is not on a federal lease.

The BLM believes that this revision would introduce efficiencies for operators by revising the gas and oil analysis submission by requiring only the most recent analysis instead of all analyses for the last 6 years. The BLM is broadening the scope of operations that can be included in a CAA to include lands that do not fall under the authority of the existing regulations. This results in additional requirements from the proponent of the CAA to ensure the BLM has the ability to inspect and verify production from non-federal and non-Indian lands.

2. Additions, Removals, or Modifications of Facility Layout (Form 3160-5) – 43 CFR 3173.16.

The proposed rule would replace the current information collection requirements pertaining to the operator's requirements to address any inconsistencies or deficiencies with the following information collection requirements:

- If the operator adds or removes wells or modifies the facility layout, a Sundry Notice Form 3160-5 notice would be required.
- Modifications to existing leases, unit PAs, or CAs within the approved CAA would require the operator to reapply for commingling approval in accordance with the existing regulations prior to implementing the proposed changes.

The revised regulations would reduce additional efficiencies and potential cost savings on both operators and the BLM by allowing existing approvals to remain in effect unless modified. The current regulations require a review and renewal of existing CAAs

upon implementation of the rule.

The resulting new estimated total burdens for OMB Control Number 1004-0137 are provided below.

Title of Collection: Onshore Oil and Gas Operations and Production (43 CFR part 3170).

OMB Control Number: 1004-0137.

Form Numbers: BLM Form 3160-005 and SF-299 (OMB Control Number 0596-0249).

Type of Review: Extension with revision of a currently approved collection.

Respondents/Affected Public: Oil and gas operators on public lands and some Indian lands.

Total Estimated Number of Annual Respondents: 864.

Total Estimated Number of Annual Responses: 102,439.

Estimated Completion Time per Response: Varies depending on activity.

Total Estimated Number of Annual Burden Hours: 278,904.

Respondent's Obligation: Required to obtain or retain a benefit.

Frequency of Collection: On occasion; One-time; and Monthly.

Total Estimated Annual Non-hour Burden Cost: None.

The complete information-collection request that has been submitted to OMB for this proposed rule is available at www.reginfo.gov/public/do/PRAMain. Find this information collection by selecting “Currently under Review - Open for Public Comments” or by using the search function. If you want to comment on the information-collection requirements of this proposed rule, please send your comments and suggestions on this information-collection by the date indicated in the **DATES** and **ADDRESSES** sections as previously described.

National Environmental Policy Act (NEPA)

A detailed environmental analysis under NEPA is not required because the proposed rule would be covered by a categorical exclusion (see 43 CFR 46.205). This proposed

rule meets the criteria set forth at 43 CFR 46.210(i) for a Departmental categorical exclusion in that this proposed rule is “of an administrative, financial, legal, technical, or procedural nature.” We have also determined that the proposed rule does not involve any of the extraordinary circumstances listed in 43 CFR 46.215 that would require further analysis under NEPA. Environmental analysis under NEPA is not required because the proposed rule would be covered by a categorical exclusion (see 43 CFR 46.205).

Effects on the Energy Supply (E.O. 13211)

Under E.O. 13211, agencies are required to prepare and submit to OMB a Statement of Energy Effects for significant energy actions. This statement is to include a detailed statement of “any adverse effects on energy supply, distribution, or use (including a shortfall in supply, price increases, and increase use of foreign supplies)” for the action and reasonable alternatives and their effects.

Section 4(b) of E.O. 13211 defines a “significant energy action” as “any action by an agency (normally published in the *Federal Register*) that promulgates or is expected to lead to the promulgation of a final rule or regulation, including notices of inquiry, advance notices of proposed rulemaking, and notices of proposed rulemaking: (1)(i) that is a significant regulatory action under E.O. 12866 or any successor order, and (ii) is likely to have a significant adverse effect on the supply, distribution, or use of energy; or (2) that is designated by OIRA as a significant energy action.”

We conclude that this proposed rule would not warrant preparation of a Statement of Energy Effects.

Clarity of This Regulation

We are required by E.O. 12866 (section 1 (b)(12)), E.O. 12988 (section 3(b)(1)(B)), and E.O. 13563 (section 1(a)), and by the Presidential Memorandum of June 1, 1998, to write all rules in plain language. This means that each rule we publish must:

- (a) Be logically organized;

- (b) Use the active voice to address readers directly;
- (c) Use common, everyday words and clear language rather than jargon;
- (d) Be divided into short sections and sentences; and
- (e) Use lists and tables wherever possible.

If you believe that we have not met these requirements, send us comments by one of the methods listed in the "ADDRESSES" section. To better help us revise the rule, your comments should be as specific as possible. For example, you should tell us the numbers of the sections or paragraphs that you find unclear, which sections or sentences are too long, the sections where you feel lists or tables would be useful, etc.

Author

The principal author(s) of this rule are Matthew Warren, Senior Petroleum Engineer and Natalie Eades, Attorney-advisor, Office of the Solicitor; Technical support provided by Scott Rickard, Economist.

List of Subjects in 43 CFR Part 3170

Administrative practice and procedure, Immediate assessments, Indians-lands, Mineral royalties, Oil and gas reserves, Public lands-mineral resources.

Lanny E. Erdos,

Director, Office of Surface Mining, Reclamation, and Enforcement,

Exercising Authority of the Assistant Secretary – Land and Minerals Management.

For the reasons set out in the preamble, the Bureau of Land Management proposes to amend 43 CFR part 3170 as follows:

PART 3170 ONSHORE OIL AND GAS PRODUCTION: GENERAL

1. The authority citation for part 3170 continues to read as follows:

AUTHORITY: 25 U.S.C. 396d and 2107; 30 U.S.C. 189, 306, 359, and 1751; and 43 U.S.C. 1732(b), 1733, and 1740.

2. Revise 3173.1 to read as follows:

§ 3173.1 Definitions and acronyms.

(a) As used in this subpart, the term:

Acceptable methodology means, consistent with 30 U.S.C. 226(q), (1) use of a measurement device for each commingled source, (2) a description of how the applicant will use an allocation method that achieves volume measurement uncertainty levels within 2 percent or up to five percent if there are appropriate technical and economic justifications, or (3) use of an approved periodic well testing methodology.

Access means:

(i) The ability to add liquids to or remove liquids from any tank or piping system, through a valve or combination of valves or by moving liquids from one tank to another tank; or

(ii) The ability to enter any component in a measuring system affecting the accuracy of the measurement of the quality or quantity of the liquid being measured; or

(iii) A written agreement that BLM officials can enter onto private or State lands for inspection and enforcement actions conducted by the BLM.

Appropriate valves means those valves that must be sealed during the production or sales phase (e.g., fill lines, equalizer, overflow lines, sales lines, circulating lines, or drain lines).

Authorized representative (AR) has the same meaning as defined in 43 CFR 3160.0-5.

Business day means any day Monday through Friday, excluding Federal holidays.

Commingling and allocation approval (CAA) means a formal allocation agreement to combine production from two or more sources (leases, unit PAs, CAs, or non-Federal or non-Indian properties) before that product reaches an FMP.

Effectively sealed means the placement of a seal in such a manner that the sealed component cannot be accessed, moved, or altered without breaking the seal.

Free water means the measured volume of water that is present in a container and that is not in suspension in the contained liquid at observed temperature.

Land description means a location surveyed in accordance with the U.S. Department of the Interior's Manual of Surveying Instructions (2009), that includes the quarter-quarter section, section, township, range, and principal meridian, or other authorized survey designation acceptable to the AO, such as metes-and-bounds, or latitude and longitude.

Maximum ultimate economic recovery has the same meaning as defined in 43 CFR 3160.0-5.

Mishandling means failing to measure or account for removal of production from a facility.

Overriding considerations means any condition that makes non-commingled measurement physically impractical or that results in unnecessary or undue impacts.

Permanent measurement facility means all equipment constructed or installed and used on-site for 6 months or longer, for the purpose of determining the quantity, quality, or storage of production, and which meets the definition of FMP under § 3170.3.

Piping means a tubular system (e.g., metallic, plastic, fiberglass, or rubber) used to move fluids (liquids and gases).

Production phase means that event during which oil is delivered directly to or through production equipment to the storage facilities and includes all operations at the facility other than those defined by the sales phase.

Sales phase means that event during which oil is removed from storage facilities for sale at an FMP.

Seal means a uniquely numbered device that completely secures either a valve or those components of a measuring system that affect the quality or quantity of the oil being measured.

(b) As used in this subpart, the following additional acronyms apply:

BIA means the Bureau of Indian Affairs.

BMP means Best Management Practice.

CA means Communitization Agreement.

PA means Participating Area.

AO means Authorized Officer.

3. Revise § 3173.14 to read as follows:

§ 3173.14 Conditions for commingling and allocation approval (surface and downhole).

(a) Subject to the exceptions provided in paragraph (b) of this section, the BLM will grant a CAA for all leases, unit PAs, or CAs if the following criteria are met:

(1) The operator or operators provides an acceptable methodology to the BLM for accurate allocation of production among the properties from which production is to be commingled (including a method for allocating produced water), as provided in 30 U.S.C. 226(q), with an agreement signed by all operators if there is more than one operator;

(2) The FMP(s) for the proposed CAA measure production originating only from the leases, unit PAs, or CAs in the CAA, and

(3) If production from an Indian lease is to be included in the CAA, the Bureau of Indian Affairs approves of the inclusion of that production in the proposed CAA.

(4) Subject to paragraph (c), the BLM will approve a CAA in instances where the proposed commingling of production involves production from leases, unit PAs, or CAs, even if the Federal interests at issue are disproportionate to one another, including Federal interests that are subject to varying royalty rates, dissimilar fixed royalty rates, or revenue distributions, but only if the following conditions are met:

(i) Production from each lease, unit PA, or CA is measured by an FMP that satisfies the requirements under subpart 3174 for oil measurement or subpart 3175 for gas measurement; or

(ii) The proposed commingling allocation methodology demonstrates the installation of measurement devices for oil and gas sources that: (1) can reasonably achieve volume measurement uncertainty levels with plus or minus (+ 2 percent), between the allocation point and FMP (including off-lease measurement FMPs, where applicable), during the production phase of the well or (2) uses the allocation methods and reporting requirements provided in subpart 3174 and subpart 3175 as reported on a monthly basis using a twelve-month average.

(5) The BLM will approve a CAA under this section only after:

(i) The applicant provides notice to all interest owners of the production to be commingled or, in lieu of notice, the applicant provides to the BLM a signed operator agreement that includes a methodology that is acceptable to the BLM for accurate allocation of production among the properties from which production is to be commingled (including a method for allocating produced water); and

(ii) The BLM receives a complete CAA from the applicant pursuant to 43 C.F.R. 3173.15 that includes a statement by the applicant attesting that, on or before the date the applicant submitted the CAA, the applicant notified each interest owner by sending a copy of the application and the attachments to the CAA, by certified mail, return receipt requested to each interest owner.

(b) The BLM may also approve a CAA in instances where the proposed commingling of production involves production from leases, unit PAs, or CAs that do not meet the criteria of paragraph (a) of this section. In order to be approved under this paragraph, a CAA must meet at least one of the following conditions:

(1) The average monthly production over the preceding 12 months for each lease, unit PA, or CA proposed for the CAA on an individual basis is less than 1,000 Mcf of gas per month, or 100 bbl of oil per month;

(2) The CAA, which includes Indian leases, unit PAs, or CAs, has been authorized under tribal law or otherwise approved by a tribe or the allottees of the allotted lease;

(3) The CAA covers the downhole commingling of production from multiple formations that are covered by separate leases, unit PAs, or CAs, where the BLM has determined that the proposed commingling from those formations is an acceptable practice for the purpose of increasing ultimate economic recovery and resource conservation; or

(4) There are overriding considerations that indicate the BLM should approve a commingling application: (i) in the public interest notwithstanding potential negative royalty impacts from the allocation method, unless Indian leases or mineral interests are to be included, in which case the CAA cannot be approved; (ii) if the operator reasonably demonstrates that approval is necessary to prevent waste or increase ultimate recovery, but only to the extent that such considerations outweigh the possibility of incremental error in measurement of the quantity or quality of production, unless Indian leases or mineral interests are to be included, in which case the CAA cannot be approved; (iii) under either (i) or (ii), the BLM may approve a CAA if the Indian mineral owner consents to the CAA and has been made aware of the potential negative royalty impact.

(c) If the applicant meets the requirements for a CAA in this subpart, the BLM will issue the CAA within 60 days of submission of a complete CAA, unless an additional 30 days is necessary to complete any required environmental analysis. A complete CAA includes all applicable requirements from (a) and (b) of this section and § 3173.15.

4. Revise § 3173.15 to read as follows:

§ 3173.15 Applying for a commingling and allocation approval.

To apply for a CAA, the operator(s) must submit the following, if applicable, to the BLM office having jurisdiction over the leases, unit PAs, or CAs from which production is proposed to be commingled:

(a) A completed Sundry Notice for approval of commingling and allocation (if off-lease measurement is a feature of the commingling and allocation proposal, then a separate Sundry Notice under 3173.23 is not necessary as long as the information required under 3173.23(b) through (e) and, where applicable, 3173.23(f) through (i) is included as part of the request for approval of commingling and allocation);

(b) A completed Sundry Notice for approval of off-lease measurement under 3173.23, if any of the proposed FMPs are outside the boundaries of any of the leases, units, or CAs from which production would be commingled (which may be included in the same Sundry Notice as the request for approval of commingling and allocation), except as provided in paragraph (a) of this section;

(c) A proposed allocation agreement with a calculated uncertainty percentage, including an allocation methodology (including allocation of produced water), with an example of how the methodology is applied, signed by each operator of each of the leases, unit PAs, or CAs from which production would be included in the CAA;

(d) A list of all Federal, Indian, State, or private leases, unit PA, or CA numbers in the proposed CAA, specifying the type of production (i.e., oil, gas, or both) for which commingling is requested;

(e) A topographic map or maps of appropriate scale showing the following:

(1) The boundaries of all the leases, units, unit PAs, or communitized areas whose production is proposed to be commingled; and

(2) The location of existing or planned facilities and the relative location of all wellheads (including the API number) and piping included in the CAA, and existing FMPs or FMPs proposed to be installed to the extent known or anticipated;

(f) A surface use plan of operations (which may be included in the same Sundry Notice as the request for approval of commingling and allocation) if new surface disturbance is proposed for the FMP and its associated facilities are located within the boundaries of the Federal or Indian lease, units, or CA from which production would be commingled;

(g) A right-of-way grant application (Standard Form 299), filed under 43 CFR part 2880, if the proposed FMP is on a pipeline, or under 43 CFR part 2800, if the proposed FMP is a meter or storage tank. This requirement applies only when new surface disturbance is proposed for the FMP, and its associated facilities are located on BLM-managed land outside any of the leases, units, or communitized areas whose production would be commingled;

(h) Written approval from the appropriate surface-management agency, if new surface disturbance is proposed for the FMP and its associated facilities are located on Federal land managed by an agency other than the BLM;

(i) A right-of-way grant application for the proposed FMP, filed under 25 CFR part 169, with the appropriate BIA office, if any of the proposed surface facilities are on

Indian land outside the lease, unit, or communitized area from which the production would be commingled;

(j) Documentation demonstrating that each of the leases, unit PAs, or CAs proposed for inclusion in the CAA is producing in paying quantities (or, in the case of Federal leases, is capable of production in paying quantities) pending approval of the CAA; and

(k) Documentation demonstrating that the production from each of the leases, unit PAs, or CAs is compatible with each other by providing the following:

(1) The most recent gas analysis performed, including BTU content (if the CAA request includes gas), and the most recent oil gravity data (if the CAA request includes oil) from each of the leases, units, unit PAs, or CAs proposed for inclusion in the CAA.

(2) In lieu of the requirements in paragraph (1), the operator or operators may instead submit a CAA for BLM consideration using analogous BTU content and/or oil gravity data from nearby wells for instances where BTU content and/or oil gravity are not explicitly known for the given leases, unit PAs or CAs.

(l) Documentation demonstrating that all other interest owners, such as private, State, or Indian, consent to both the CAA and the BLM's inspection of the equipment to ensure compliance with §§ 3173, 3174, and 3175.

(m) Documentation demonstrating that the operator has secured all necessary access rights from the surface owner(s), whether private, State, or Indian, to ensure that BLM staff may access the measurement facilities within the CAA for conducting and verifying production, measurement and royalty.

(n) Documentation demonstrating that the operator maintains and operates the measurement equipment in accordance with §§ 3174 and 3175 for production equipment that is not allocated within a Federal or Indian lease, unit PA, or CA.

5. Revise § 3173.16 to read as follows:

§ 3173.16 Existing commingling and allocation approvals.

All existing CAAs in effect on [EFFECTIVE DATE OF FINAL RULE] will remain in effect, unless the operator adds or removes wells or modifies the facility layout, in which case a Sundry Notice Form 3160-5 notice will be required. Otherwise, modifications to existing leases, unit PAs, or CAs within the approved CAA will require the operator to reapply for commingling approval in accordance with the existing regulations prior to implementing the proposed changes.

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