



Bureau of Land Management
U.S. Department of the Interior

Submitted via online portal to: [Federal Register – Submit a Public Comment](#)

Re: Bureau of Land Management's Proposed Rule - Royalty for Oil and Gas Lost From Onshore Federal and Indian Leases

Dear Bureau of Land Management,

The California Department of Conservation and its Geologic Energy Management Division (DOC/CalGEM) appreciate the longstanding coordination with the Bureau of Land Management (BLM) in overseeing oil and gas operations on federal lands within California. As the California agency responsible for regulating oil, gas, and geothermal production operations to protect public health and safety, natural resources, and the environment while supporting the responsible development of California's energy resources, DOC/CalGEM provides the following comments on BLM's proposed rule: Royalty for Oil and Gas Lost From Onshore Federal and Indian Leases.

As an initial matter, DOC/CalGEM recognizes that federal royalty determinations do not alter an operator's obligation to comply with California law or diminish DOC/CalGEM's independent regulatory authority over oil and gas operations in California, including on federally managed lands.

BLM's proposed rule seeks to remove requirements that BLM sees as economically burdensome to operators, including:

- Eliminating leak detection and repair requirements (LDAR);
- Removing limits on royalty-free flaring thus making all pipeline-capacity flaring royalty-free with no volume/time caps;
- Relaxing or removing entirely limits on certain activities as unavoidable loss (i.e., royalty-free); and
- Adding a new unavoidable loss category for gas that is so low quality it cannot be sold.

The stated premise behind these proposed changes is that operators already have financial incentives to capture and sell gas without what BLM believes are expensive and unnecessary regulatory mandates.

DOC/CalGEM has a long history of supervising the drilling, operation, maintenance, and abandonment of wells, tanks, and other facilities attendant to oil and gas production. In DOC/CalGEM's extensive experience, financial incentives alone are inadequate to discourage oil and gas waste and prevent pollution that negatively impacts public health and safety, and the environment.

The changes contemplated under BLM's proposed rule would have significant negative impacts, including reduction in operator accountability and data needed for operator oversight; higher methane pollution; adverse public health effects; encouraging waste rather than conservation; reducing money to states and tribes; and shifting climate and health costs onto the public.

I. Operational Accountability and Oversight Will Be Reduced

DOC/CalGEM has its own robust inspection program. Additionally, Senate Bill 1137 (Gonzalez, Chapter 365, Statutes of 2022) (SB 1137) requires oil and gas operations within health protection zones in California (HPZs) to have emission detection systems and leak detection and response plans (LDRPs) implemented by July 1, 2030. Streamlining BLM's administration of oil and gas losses by eliminating BLM's LDAR requirements will mean that operators outside of HPZs can operate leaking facilities and flare with little to no federal oversight, and they will no longer be required to document waste. For those operators, there will be less environmental and operational accountability.

II. Methane Pollution and Negative Public Health Effects Will Be Higher

Methane is a potent greenhouse gas and California is committed to its climate targets and methane reduction commitments. Eliminating federal LDAR requirements and expanding flaring exemptions could allow more venting and low-quality gas flaring. In turn, this will likely increase methane emissions nationwide, and air pollution from federal leases could negatively affect California's air quality and public health. The likely increases in emissions because of this proposed rule make achieving compliance with federal air quality and air toxic requirements more difficult.

Flaring releases volatile organic compounds, particulate matter, and other toxins that contribute to ozone formation, respiratory issues, and cardiovascular disease, among other devastating health impacts. California's statutes and regulations seek to reduce the negative health impacts to all Californians and more so for sensitive receptors such as individuals at home and in schools located in proximity to oil and gas operations. However, this rule and BLM's other pending proposed oil and gas rules could significantly increase the likely impacts by allowing unrepaired leaking and flaring and potentially allowing operators to move closer to sensitive receptors than currently allowed under BLM's 2024 rules.

III. Conservation or Marketable Recovery Should Be Encouraged Over Waste

DOC/CalGEM's statutory purposes include the prevention of loss of oil, gas, and reservoir energy. (Pub. Res. Code, § 3106, subd. (a).) Federal law similarly requires prevention of oil and gas waste. (30 U.S.C., § 225.) Treating more gas losses as "unavoidable" encourages wasteful practices generally and allows wasting of minerals on public lands within California.

IV. Royalty Revenue Will Be Lost

As described in BLM's proposed rule, California, other states, and tribes receive royalties for oil and gas produced from onshore federal and tribal oil and gas leases. BLM also describes efforts to calculate royalties on lost oil or gas, and the 2024 Rule that currently governs royalty determinations except in North Dakota, Wyoming, Montana, Texas and Utah.

By expanding what losses are royalty-free (i.e., unavoidable), BLM would reduce the total amount of gas for which operators must pay royalties. BLM estimated that dropping the 2024 LDAR requirements would reduce royalty revenue by an estimated \$210,000 per year, thereby reducing payments to the federal government and to states like California, which fund important public programs with federal mineral revenue.

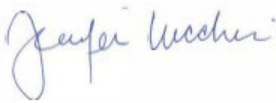
BLM notes that the volume of gas that the LDAR requirements are estimated to capture represents a "very small fraction of the 'lost gas' problem." But rather than propose ways to address the problem, the proposed rule would further privatize the benefits of production on federal land for operators while shifting the environmental and health costs to the public.

Conclusion

DOC/CalGEM requests that BLM not make any changes to its royalty revenue framework, LDAR requirements, or treatment of unavoidable losses. Meanwhile, DOC/CalGEM will continue to enforce LDAR requirements, increase gas capture, reduce leakage, and advance clean-energy transition plans.

Through continued coordination, our agencies can support responsible energy production while ensuring that oil and gas operations on federal lands within California continue to meet applicable federal and state laws and policy objectives designed to protect public health and safety, natural resources, and the environment.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jennifer Lucchesi".

Jennifer Lucchesi
Director, Department of Conservation