



OPERATOR GUIDANCE

RULE 903.d.(4).B - Reporting Volume of Natural Gas that Is Vented, Flared, or Used on Lease to Mineral Owners

Document Change Log

Change Date	Description of Changes
2-11-2021	Released

Rule Citation

Rule 903. VENTING OR FLARING NATURAL GAS

d. Emissions During Production.

(4) Measurement and Reporting.

B. Operators will notify all mineral Owners of the volume of oil and gas that is Vented, Flared, or used on-lease. Operators will maintain records of such notice and provide the records to the Director upon request.

Purpose of Rule

As explained in the Statement of Basis and Purpose, the purpose of Rule 903.d.(4).B is to provide an additional incentive for operators to avoid waste of natural gas and to instead capture natural gas and put it to a beneficial use. 800-900-1200 Mission Change SBP at 91. The Commission intends for the reporting under Rule 903.d.(4).B to provide mineral owners with additional information about the potential waste of natural gas that they own, which may incentivize operators to capture more natural gas. The same information about the volume of natural gas vented, flared, or used on lease is reported to the Commission on a Form 7, Monthly Report of Operations, pursuant to Rule 903.d.(4).A.

Consistent with this intent, the rule requires operators to notify all mineral owners of the volume of oil and gas that is vented, flared, or used on-lease to ensure that the mineral owners are aware of how much natural gas that they own is not being sold or otherwise put to beneficial use. The Commission does not intend for its staff to become involved in lease or contract disputes between operators and mineral owners, but it believes this information may be relevant to some leases or other contracts that specify whether royalties must be paid on gas that is produced but not sold.

To ensure that the rule is enforceable, it also requires operators to maintain records of such notice and provide them to the Director when requested. Retaining records and providing access are necessary for the Director to verify compliance and respond to mineral owners' concerns.

Rule 903.d.(4).B Guidance

This guidance provides the expectations for the notice and records required by Rule 903.d.(4).B.

1. The notification will be provided to all entities to whom the Operator makes a payment of proceeds for a well.
2. The notification will occur simultaneously with each payment made for a period in which oil and/or gas was sold. If an operator does not make a payment during a certain period because no product was sold from the lease, then the operator should notify the entities with the next payment, or at least annually.
3. The notification will be made in the same manner as the payment statement, i.e., a hard copy sent via mail, another delivery service, or electronic mail.
4. The record of the notice will be determined by the manner in which it was conveyed, i.e., a physical hard copy, a digital copy of a hard copy, a digital copy of an electronic mail. Operators must maintain all such records for at least five years pursuant to Rule 206.f.
5. The notice will identify the well by API Number and well name and number.
6. The notice will report the volume of gas vented, flared, or used on-lease. Volume may be estimated or directly measured, and should be consistent with the volume reported to the Commission on the Form 7, Operator's Monthly Report of Operations, pursuant to Rule 903.d.(4).A.
7. The notice will indicate the period of time in which the reported volume of gas was vented, flared, or used on-lease.
8. Records operators keep of the notice should indicate the entity to which notice was provided, as well as the manner in which the notice was provided (i.e., mail, delivery service, or electronic mail).
9. Pursuant to Rule 206.a, operators must provide all records they maintain pursuant to Rule 903.d.(4).B to the Commission or Staff upon request.