

# GAO Highlights

Highlights of [GAO-16-607](#), a report to congressional requesters

## Why GAO Did This Study

Interior's BLM oversees and accounts for onshore oil and gas production on federal lands. Interior generally collects royalties for this oil and gas, but its guidance, which was issued over 30 years ago, may exempt gas that is vented, flared, or used to operate equipment on the lease. Increased oil production in recent years has resulted in a rise in flared gas in certain regions where there is limited infrastructure to transport or process gas associated with oil production. BLM has proposed updating its venting and flaring regulations to clarify how such emissions are to be managed.

GAO was asked to review Interior's management of natural gas emissions onshore. This report examines (1) the extent to which Interior can account for these emissions and (2) how BLM field offices have managed requests to vent or flare. GAO analyzed Interior data, including a simple random sample of venting or flaring requests from fiscal year 2014, the most recent year for which data were available; reviewed Interior documents; and interviewed officials from a nongeneralizable sample of six BLM field offices selected based on increased natural gas emissions in recent years. GAO also interviewed operators with leases managed by two BLM field offices.

## What GAO Recommends

GAO is making four recommendations to Interior, including providing additional guidance on how operators are to report natural gas emissions. Interior generally concurred with these recommendations.

View [GAO-16-607](#). For more information, contact Frank Rusco at (202) 512-3841 or [ruscof@gao.gov](mailto:ruscof@gao.gov).

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## OIL AND GAS

### Interior Could Do More to Account for and Manage Natural Gas Emissions

#### What GAO Found

The Department of the Interior's (Interior) guidance to oil and gas operators on its reporting requirements has limitations that may hinder the extent to which it can account for natural gas emissions on onshore federal lands (leases). Interior is required to ensure that oil and gas operations are conducted in a manner that minimizes waste. As part of its oversight activities, Interior requires operators to submit monthly Oil and Gas Operations Reports (OGOR). Interior uses these reports to track volumes of oil and gas produced on federal lands, including gas that may be exempt from royalties, such as gas released into the air (vented), burned (flared), or used to power equipment on the lease (lease use). Historically, Interior's focus has been on collecting data from royalty-bearing oil and gas production, and thus it has provided limited guidance on how operators are to report natural gas emissions. For example, Interior

- does not provide specific instructions on how to estimate natural gas emissions, which results in operators using varying estimation methods that may be difficult to verify;
- provides limited guidance on which OGOR categories to use when reporting flared gas emissions, which results in inconsistent reporting; and
- does not specify which natural gas emissions activities should be reported, resulting in operators not reporting some emissions (e.g., from storage tanks).

As a result of these limitations, Interior may not have a consistent accounting of natural gas emissions from onshore federal leases, and does not have the information it needs to reasonably ensure it is minimizing waste on these leases.

The Bureau of Land Management's (BLM) field offices have not consistently followed BLM's existing guidance in managing operators' venting or flaring requests. GAO found that BLM field offices have approved venting or flaring requests that did not include the documentation BLM's guidance requires. Specifically, in fiscal year 2014, GAO found that BLM received 1,281 venting or flaring requests from operators. GAO reviewed the documentation for a random sample of 100 of those requests and, based on this sample, estimates that 90 percent (+/-8) of the requests to BLM did not provide the documentation required by BLM guidance. GAO also estimates that BLM approved 70 percent (+/-9) of these venting or flaring requests and, for nearly half of the approvals, allowed operators to flare gas royalty-free. Further, GAO found that selected BLM field offices have applied BLM guidance differently to venting or flaring requests. For example, officials in two BLM field offices GAO reviewed said they used their authority under the existing guidance to charge royalties on flared gas, while a third field office was considering doing so. The other three field offices GAO reviewed have interpreted BLM guidance as allowing all venting or flaring requests in their regions to be approved royalty-free. BLM's proposed update to its regulations, if finalized, would clarify how BLM will manage future venting or flaring requests. Interior officials told GAO that they expect to finalize the proposed update to its regulations by the end of calendar year 2016 and that finalizing the regulations is an Administration priority.