

H. R. 6368

A BILL

To provide for a study by the National Academy of Engineering regarding improving the accuracy of collection of royalties on production of oil, condensate, and natural gas under leases of Federal lands and Indian lands, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Rep. Mrs. Carolyn Maloney (NY-14) introduced the following bill, co-sponsored by Reps. Mr. Maurice Hinchey (D-NY), Mr. Raul Grijalva (D-AZ), and Mr. John Conyers (D-MI); which was referred to the Committee on December 5, 2006.

Sec 1. Study of Ways

Section 1:

"Study of Ways to Improve the Accuracy of the Collection of Federal Oil, Condensate, and Natural Gas Royalties Act of 2006".

Sec 2. Study of Actions

Section 2

"STUDY OF ACTIONS TO IMPROVE THE ACCURACY OF COLLECTION OF FEDERAL OIL, CONDENSATE, AND NATURAL GAS ROYALTIES."

Section 2-1 Study of Actions

- (1) Requiring the installation of digital meters, calibrated at least monthly to an absolute zero value, for all lands from which natural gas (including condensate) is produced under such leases. On analog charts make sure that the pins record between 30% and 70% of the chart as required by the American Gas Association ("AGA"). If not, use the average volume between the preceding and succeeding charts and calculate the damages to be recovered together with an 8% interest compounded annually.

Section 2-2 Study of Actions

- (2) Requiring that
 - (A) the size of every orifice plate on each natural gas well operated under such leases be inspected at least quarterly by the Secretary and
 - (B) chipped orifice plates and wrong-sized orifice plates be replaced immediately after those inspections and reported to the Secretary for retroactive volume measurement corrections and royalty payments with interest of 8 percent compounded monthly.

Section 2-3 Study of Actions

- (3) Requiring that any plug valves that are in natural gas gathering lines be removed and replaced with ball valves

Section 2-4 Study of Actions

- (4) Requiring that -
 - (A) all meter runs should be opened for inspection by the Secretary and the producer at all times; and
 - (B) any welding or closing of the meter runs leading to the orifice plates should be prohibited unless authorized by the Secretary

Section 2-5 Study of Actions

- (5) Requiring the installation of straightening vanes approximately 10 feet before natural gas enters each orifice meter.

Section 2-6 Study of Actions

- (6) Requiring that all master' meters be inspected and the results of such inspections be made available to the Secretary and the producers immediately.

Section 2-7A Study of Actions

- (7) Requiring that
 - (A) all sampling of natural gas for heating content analysis be performed monthly upstream of each natural gas meter, including upstream of each master meter;

Section 2-7B Study of Actions

(7) Requiring that

(B) records of such sampling and heating content analysis be maintained by the purchaser and made available to the Secretary and to the producer monthly;

Section 2-7C Study of Actions

(7) Requiring that

(C) probes for such upstream sampling be installed upstream within three feet of each natural gas meter;

Section 2-7D Study of Actions

(7) Requiring that

(D) any oil and natural gas lease for which heat content analysis is falsified shall be subject to cancellation;

Section 2-7E Study of Actions

(7) Requiring that

(E) natural gas sampling probes be located

(i) upstream of the natural gas meter at all times;

(ii) within a few feet of the natural gas meter; and

(iii) after the natural gas goes through a Welker or Y-Z vanishing chamber; and

Section 2-7F Study of Actions

(7) Requiring that

(F) temperature probes and testing probes be located between the natural gas sampling probe and the orifice of the natural gas meter.

Section 2-8A Study of Actions

(8)(A) Reinstating the requirement to file Federal Energy Regulatory Commission (FERC) Form 16 in April and September of each year for every natural gas pipeline, including each intrastate pipelines, in addition to the filing of FERC Form 2.

Section 2-8 Study of Actions

- (8)(B) Requiring
 - (i) use of such FERC Form 2 to create FERC Form 16 data for the years beginning April and September, respectively, 1992, and for each year thereafter; and
 - (ii) filing with the Federal Energy Regulatory Commission a FERC Form 16 for April and September that is completed with such data back to April 1992.

Section 2-9 Study of Actions

- (9) Requiring that administrative jurisdiction over all natural gas gathering lines, interstate pipelines, and intrastate pipelines revert immediately to the Federal Energy Regulatory Commission.

Section 2-10 Study of Actions

- (10) Prohibiting the dilution of natural gas with inert nitrogen or inert carbon dioxide gas for royalty determination, sale, or resale at any point.

Section 2-11 Study of Actions

- (11) Requiring that both the measurement of the volume of natural gas and the heating content analyses be reported only on the basis of 14.72 PSI and 60 degrees Fahrenheit, regardless of the elevation above sea level of such volume measurement and heating content analysis, for both purchases and sales of natural gas.**

Section 2-12 Study of Actions

- (12) Prohibiting the construction of bypass pipes that go around the natural gas meter, and imposing criminal penalties for any such construction or subsequent removal including, but not limited to, automatic cancellation of the lease.

Section 2-13 Study of Actions

- (13) Requiring that all natural gas sold to consumers have a minimum BTU content of 960 at an atmospheric pressure of 14.73 PSI and be at a temperature of 60 degrees Fahrenheit, as required by the State of Wyoming Public Utilities Commission.

Section 2-14 Study of Actions

- (14) Requiring that all natural gas sold in the USA will be on a MMBTU basis with the BTU content adjusted for elevation above sea level in higher altitudes. Thus all natural gas meters must correct for BTU content in higher elevations (altitudes).

Section 2-15 Study of Actions

- (15) Issuance by the Secretary of rules for the measurement at the wellhead of the standard volume of natural gas produced, based on independent industry standards such as those suggested by the American Society of Testing Materials (ASTM).

Section 2-16 Study of Actions

- (16) Requiring use of the fundamental orifice meter mass flow equation, as revised in 1990, for calculating the standard volume of natural gas produced.

Section 2-17 Study of Actions

- (17) Requiring the use of F_{pv} in standard volume measurement computations as described in the 1992 American Gas Association Report No. 8 entitled Compressibility Factor of Natural Gas and Other Related Hydrocarbon Gases.

Section 2-18 Study of Actions

- (18) Requiring that gathering lines must be constructed so as to have as few angles and turns as possible, with a maximum of three angles, before they connect with the natural gas meter.

Section 2-19 Study of Actions

- (19) Requiring that for purposes of reporting the royalty value of natural gas, condensate, oil, and associated natural gases, such royalty value must be based upon the natural gas' condensate's, oil's, and associated natural gases' arm's length, independent market value, as reported in independent, respected market reports such as Platts or Bloomborgs, and not based upon industry controlled posted prices, such as Koch's

Section 2-20 Study of Actions

- (20) Requiring that royalties be paid on all the condensate recovered through purging gathering lines and pipelines with a cone-shaped device to push out condensate (popularly referred to as a pig) and on condensate recovered from separators, dehydrators, and processing plants.

Section 2-21 Study of Actions

- (21) Requiring that all royalty deductions for dehydration, treating, natural gas gathering, compression, transportation, marketing, and other similar charges on natural gas, condensate, and oil produced under such leases that are now in existence be eliminated.

Section 2-22 Study of Actions

(22) Requiring that at all times

(A) the quantity, quality, and value obtained for natural gas liquids (condensate) be reported to the Secretary; and

(B) such reported value be based on fair independent arm's length market value.

Section 2-23 Study of Actions

(23) Issuance by the Secretary of regulations that prohibit venting or flaring (or both) of natural gas in cases for which technology exists to reasonably prevent it, strict enforcement of such prohibitions, and cancellation of leases for violations.

Section 2-24 Study of Actions

- (24) Requiring lessees to pay full royalties on any natural gas that is vented, flared, or otherwise avoidably lost.

Section 2-25 Study of Actions

- (25) Requiring payment of royalties on carbon dioxide at the wellhead used for tertiary oil recovery from depleted oil fields and for edible purposes on the basis of 5 percent of the West Texas Intermediate crude oil fair market price to be used for one MCF (1,000 cubic feet) of carbon dioxide gas.

Section 2-26 Study of Actions

- (26) Requiring that
 - (A) all carbon dioxide produced from Federal and Indian leases be analyzed for carcinogenic benzene; and
 - (B) benzene produced with such carbon dioxide must be filtered out and removed safely as necessary to prevent harm to the environment subjected to such benzene content in order to create a maximum permissible level (“MPL”) of 5 parts per billion.

Section 2-27 Study of Actions

- (27) Requiring that**
 - (A) royalties be paid on the fair market value of nitrogen extracted from such leases that is used industrially for well stimulation, helium recovery, or other uses; and**
 - (B) royalties be paid on the fair market value of ultimately processed helium recovered from such leases.**

Section 2-28 Study of Actions

- (28) Allowing only 5 percent of the value of the elemental sulfur recovered during processing of hydrogen sulfide gas from such leases to be deducted for processing costs in determining royalty payments.

Section 2-29 Study of Actions

- (29) Requiring that all heating content analysis of natural gas be conducted to a minimum level of C₁₅.

Section 2-30 Study of Actions

- (30) Eliminating artificial conversion from dry BTU to wet BTU, and requiring that natural gas be analyzed and royalties paid for at all times on the basis of dry BTU only.

Section 2-31 Study of Actions

- (31) Requiring that natural gas sampling be performed at all times with a floating piston cylinder container at the same pressure intake as the pressure of the natural gas gathering line.

Section 2-32 Study of Actions

- (32) Requiring use of natural gas filters with a minimum of 10 microns, and preferably 15 microns, both in the intake to natural gas sampling containers and in the exit from the natural gas sampling containers into the chromatograph.

Section 2-33 Study of Actions

- (33) Mandate the use of a Quad Unit for both portable and stationary chromatographs in order to correct for the presence of nitrogen and oxygen, if any, in certain natural gas streams.

Section 2-34 Study of Actions

- (34) Require the calibration of all chromatograph equipment every three months and the use of only American Gas Association-approved standard comparison containers for such calibration.

Section 2-35 Study of Actions

- (35) Requiring that natural gas stored during the summer period and marketed during the winter period be sold on the basis of the purchase price minus a maximum of \$0.50 per MMBTU storage charges. In the alternative, pay royalties on the basis of winter sales price minus \$0.50 per MMBTU.

Section 2-36 Study of Actions

- (36) Requiring payment of royalties on any such natural gas stored on Federal and/or Indian lands on the basis of corresponding storage charges for the use of Federal and/or Indian lands for such storage service.

Section 2-37 Study of Actions

- (37) Imposing penalties for the intentional non payment of royalties for natural gas liquids recovered
 - (A) from purging of natural gas gathering lines and natural gas pipelines; or
 - (B) from field separators, dehydrators, and processing plants, including cancellation of oil and natural gas leases and criminal penalties.

Section 2-38 Study of Actions

- (38) Requiring that the separator, dehydrator, and natural gas meter be located within 100 feet of each natural gas wellhead.

Section 2-39 Study of Actions

- (39) Requiring that BTU heating content analysis be performed when the natural gas is at a temperature of 140 to 150 degrees Fahrenheit at all times, as required by the American Gas Association (“AGA”) regulations.

Section 2-40 Study of Actions

- (40) Requiring that heating content analysis and volume measurements are identical at the sales point to what they are at the purchase point, after allowing for a small volume for leakage in old pipes, but with no allowance for heating content discrepancy.

Section 2-41 Study of Actions

- (41) Requiring that all natural gas produced under such leases be at all times sold to public, industrial, storage, and private customers only on a MMBTU basis of MCF (1000 CF) x MBTU (1000 BTU).

Section 2-42 Study of Actions

- (42) Verification by the Secretary that the specific gravity of natural gas produced under such leases, as measured at the meter run, corresponds to the heating content analysis data for such natural gas, in accordance with the Natural Gas Processors Association Publication 2145-71(1), entitled "Physical Constants Of Paraffin Hydrocarbons And Other Components Of Natural Gas", and reporting of all discrepancies immediately, as well as calculating the discrepancies for each natural gas well and paying the appropriate damages together with an 8% interest compounded annually.

Section 2-43 Study of Actions

- (43) Prohibiting all deductions on royalty payments for marketing of natural gas, condensate, and oil by an affiliate or agent.

Section 2-44 Study of Actions

- (44) Requiring that all standards of the American Petroleum Institute, the American Gas Association, the Gas Processors Association, and the American Society of Testing Materials, Minerals Management Service Order No. 5, and all other Minerals Management Service orders be faithfully observed and applied, and willful misconduct of such standards and orders be subject to oil and gas lease cancellation.

SEC.3. Review Of Royalty Payments

The Secretary of the Interior, subject to the availability of appropriations, shall award a contract under which the contractor shall—

Sec 3-1 Review of Royalty Payments

- (1) compare royalty payments made under Federal oil and gas lease provisions for covered lands against data supplied to the Federal Energy Regulatory Commission;

Sec 3-2 Review of Royalty Payments

- (2) make such comparison retroactive to June 1, 1974, by integrating existing natural gas analog charts or digital meter results (or both) for each natural gas meter and multiplying the corresponding standard volume results by heating content analysis obtained from corresponding specific gravity measurement relationship, as well as calculating the discrepancies for each natural gas well and paying the appropriate damages together with an 8% interest compounded annually.

Sec 3-3 Review of Royalty Payments

- (3) determine whether the correct production standard volume and heating content analysis was used to calculate such payments; and

Sec 3-4 Review of Royalty Payments

- (4) determine whether such payments were adequate under the terms of such oil and gas leases, by among other procedures comparing the reported royalty values with respected published market price reports, such as Platts or Bloomborgs, as well as calculating the discrepancies for each natural gas well and paying the appropriate damages together with an 8% interest compounded annually.

Sec 4-1 Definitions

- (1) Covered lands. The term "covered lands" means
 - (A) all Federal onshore lands and offshore lands that are under the administrative jurisdiction of the Department of the Interior for purposes of oil and gas leasing; and
 - (B) Indian onshore lands.

Sec 4 - Definitions

- (2) SECRETARY. The term "Secretary" means the Secretary of the Interior.