

**COMMENTS OF THE INDUSTRY COALITION OF MAJOR AND
INDEPENDENT PRODUCERS ON PROPOSED NATURAL GAS PRODUCTION
SURVEY FORM EIA-914**

Pursuant to the Federal Register notice of the Energy Information Administration (EIA) issued on April 23, 2004 [FR Doc. 04-9246] soliciting industry comments on a proposed new Form EIA-914, "Monthly Natural Gas Production Report", the American Petroleum Institute ("API"), the Domestic Petroleum Council ("DPC"), the Independent Petroleum Association of America ("IPAA"), the National Ocean Industries Association ("NOIA"), the Natural Gas Supply Association ("NGSA"), and the US Oil & Gas Association ("USOGA"), collectively the "Industry Coalition," are pleased for the opportunity to provide the following comments.

The Industry Coalition represents both major and independent producers of onshore and offshore natural gas with involvement in all segments of the natural gas industry in the United States. The Industry Coalition represents thousands of major oil and gas companies, independent oil and gas producers, refineries, offshore contractors, natural gas transportation and distribution companies, and various other firms involved in the industry.

The Industry Coalition appreciates the Department of Energy's (DOE's) effort to improve the reliability and timeliness of monthly U.S. natural gas production data publication. The Industry Coalition strongly endorses the 2003 National Petroleum Council (NPC) recommendation that "Government policies should foster timely and accurate information regarding supply, demand and storage." (NPC Integrated Report, Volume II, page 293). EIA's proposal moves closer toward the NPC goals. However, we believe there are other more practical and efficient ways in which these goals could be

accomplished. If EIA proceeds with its proposed survey, however, the Industry Coalition has specific comments related to that specific proposal.

I. The Most Efficient and Cost Effective Means to Obtain the Proposed Data Is To Obtain It Directly From the Producing States and MMS.

The Industry Coalition believes that the most efficient method to enhance data collection and reporting is to improve coordination among state and other federal agencies as opposed to requiring additional reporting by hundreds of natural gas producers. In fact, the 2003 NPC report recommends that “DOE’s Energy Information Administration should coordinate efforts with state and other federal agencies (MMS) to improve data-collecting processes such that accurate monthly production and consumption data are available within three months.” (“Recommendation 4: Promote Efficiency of Natural Gas Markets.”) Most of the data requested by the EIA in the Form EIA-914 is already provided to the individual states and the Mineral Management Service (MMS) by individual natural gas producing companies; thereby making any additional reporting by well operators generally duplicative. Although EIA indicates that there are existing flaws associated with collection through other state and federal agencies, we believe that fixing these problems would be simpler and less burdensome for both EIA and the industry itself. As a more efficient alternative, the Industry Coalition believes DOE should work with the individual producing states and the MMS to provide EIA this production information in a reliable and timely manner in the format requested.¹

¹ There are numerous collaborative efforts that could facilitate the data collection from the states. For instance, a joint federal/state technical conference or other type of federal outreach program could be established for discussions among federal and state agency representatives as well as regional and state natural gas associations.

It simply makes sense that the EIA should focus its efforts on improving the state and MMS data reporting processes as opposed to collecting virtually the same information from a sample of 250-350 individual well operators. For instance, although currently voluntary, EIA's existing Form EIA-895 "Monthly and Annual Quantity and Value of Natural Gas Production Report" collects the same activity streams as the activity streams proposed in Form EIA-914. These include Gross Withdrawals (excluding lease condensate), natural gas used for re-pressuring or re-injection, natural gas vented and flared, non-hydrocarbon gases removed, natural gas used as fuel on leases (lease fuel), and marketed production. Given that the proposed information is currently reported, albeit in varying formats with various timelines, to other states and agencies, adding greater burden on the industry to solve a lack of coordination among government entities is not the appropriate answer. Further, two of the five states on the proposed Form EIA-914 already provide the EIA production data in a timely manner according to the EIA publication "How EIA Estimates Natural Gas Production - February 2004." Given that EIA's current production estimates are within three percent accuracy, moreover, it is not certain that the proposed survey would substantially improve the quality of the current production estimates, or would be, on balance, worth the considerable expense, time, and effort that would be required by industry.

The proposed reporting would require additional capital, programming, computer run time, and employee costs. EIA's estimate of a monthly three-hour burden does not appear to include the full panoply of cost and burden. New and separate accounting and computer systems would be necessary to generate the additional data that is not currently collected or that is currently collected in a different format. Converting volume data to a common pressure base, which currently varies by state, would require accounting and

system changes and additional time and effort. Also, developing the data in less time than that requested by the states, tracking non-hydrocarbon extraction, as well as separating injection to that originating from lease and third parties, would all increase the level of resources required by the industry. The Industry Coalition estimates, on average, the cost of implementing the necessary accounting and computer modification to comply with the proposed reporting is approximately \$60,000 per respondent. If one assumes the same cost for all 250-350 EIA respondents, the total cost to the industry to implement this new reporting requirement would be \$15-\$21 million. Given the estimated \$60,000 per respondent cost, the Industry Coalition suggests that it makes more sense to place the expense of compliance on a limited number of parties (i.e.; producing states and MMS), than to require 250-350 additional natural gas well operators to duplicate this redundant effort and cost.

II. If The EIA Requires Individual Producers To Provide This Data, Modifications Are Required.

The Industry Coalition generally supports EIA's proposal to improve the current collection processes, and it understands and appreciates the importance of obtaining timely and reliable natural gas production data. Therefore, if the EIA does not seek this information directly from the MMS and individual states (as suggested above) and continues to pursue natural gas production data directly from a sample of well operators using the proposed Form EIA-914, the Industry Coalition has several recommendations or clarifications to that specific proposal.

First, the EIA should increase the reporting deadline from 30 days to 60 days after the end of the report month. The EIA request of obtaining natural gas production data 30

days after the end of the report month is significantly tighter than the timeframes required by several major producing states and the MMS. It is also a shorter period than what many producer accounting systems can currently accommodate; thereby leading to a strong likelihood that prior period adjustments to reported data would be required.

Additionally, many natural gas producers' existing accounting and computer systems will require new capital expenses as well as on-going resources to bring accounting and programming systems on line. Furthermore, a 60-day deadline after the end of the report month will minimize the number of prior period data adjustments. However, it should be noted that an extension of the deadline to 60 days will not reduce the capital investment and human resources necessary to implement and maintain this new reporting responsibility.

Second, the proposed survey indicates that reported data must be revised when there are reporting adjustments of more than one percent. In order to limit the potential quantity of prior period adjustments, the Industry Coalition requests clarification that revisions are required only for data changes of one percent in total production values for a given reporting period, as opposed to sub-categories such as state values, by-activity-stream values, or in the requested 36 other values.

Third, the proposed monthly natural gas production survey requires the reporting of volumes for Louisiana, New Mexico, Oklahoma, Texas, Wyoming, the federal Gulf of Mexico and U.S. Total including Alaska. In addition, volumes are required for each of six activity streams that include gross withdrawals (wet), re-pressuring and re-injection, vented and flared, fuel used on lease, non-hydrocarbons removed on lease and natural gas lease production for a total of 42 monthly data points. The Industry Coalition encourages the EIA to limit the number of activity-stream components reported to those that are truly

necessary for the purpose of providing a good overview of current production levels. Limiting collection to the primary data streams needed would greatly reduce the cost and burden of tracking data, particularly when some of the proposed data points are not currently generated. For instance, non-hydrocarbon extraction is typically not measured on a monthly basis, and therefore, is generally estimated. “Vented and flared” data are also not typically measured, are a de minimus value, and are therefore, generally estimated. In addition, if data on six various activity streams are required to be reported by producing areas, this will require further clarification of data terms. For example, should gathering fuel and losses be included as “Fuel Used on Lease?” Where should non-hydrocarbons removed at downstream plants be reported? Where should gas that is returned from off-site plants for injection back in the operator’s lease injection facility be reported?

Fourth, the Industry Coalition also requests that EIA incorporate provisions in the rule that acknowledge that EIA understands that some minor inadvertent errors in reporting will not be construed as inaccurate reporting. Industry Coalition members are committed to ensuring that volumes reported are as accurate as possible yet, as mentioned above, prior period adjustments may be required from time to time.

Fifth, the Industry Coalition strongly encourages the EIA to recognize the sensitive nature of production-related information in a competitive market such as natural gas and ensure the utmost confidentiality of the reported data. The Industry Coalition strongly supports the collection of data under the Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA) and encourages the EIA to maintain this process as part of its proposal.

Lastly, given the significant accounting, computer, and systems work that would be required of the 250-350 individual well operators to submit the proposed information, the Industry Coalition believes the earliest feasible timeframe for implementation of the new survey would be January 2005.

III. Conclusion

The Industry Coalition supports EIA's effort to improve the quality and timeliness of natural gas production reporting to enhance understanding of what is occurring in domestic natural gas supply in the United States. The Industry Coalition, however, believes the most efficient data collection method would be to simply improve the existing reporting mechanisms and coordination with the producing states and the MMS. If the EIA should move forward and implement the proposed Form EIA-914 survey from individual wellhead operators, the Industry Coalition encourages the EIA to implement the improvements as suggested herein.

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