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ENERGY IN THE LAW

NEWS ALERT

January 23, 2025

Implementing The Royalty Resiliency Act – The Bureau of Land Management Issues Official Policy and Procedures for Streamlined Communitization Agreement Approvals

The [Royalty Resiliency Act](#) (RRA or Act) requires the Secretary of the Interior, or the Bureau of Land Management (BLM) under delegation of the Secretary, to issue all determinations of allocations of production for units and communitization agreements (CA) within 120 days of a lessee's request for determination. Enacted by Congress on September 20, 2024, to relieve delays in allocation determinations, the Act amends the Federal Oil and Gas Royalty Management Act of 1982 and the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 to streamline the CA approval process.

Pursuant to the RRA (as previously discussed [here](#)), until the BLM issues an official determination, the lessee is authorized to report and pay monthly royalties on oil and gas production in accordance with the terms of the *proposed* allocation of production as submitted via the CA. Once the BLM issues a final allocation determination, the lessee is allowed three months to "true up" or correct production reports and the amount of royalties paid, if necessary, on the production during the period under which the CA was under review. During that "true up" period, the BLM will waive all interest obligations otherwise incurred while the lessee awaited an official allocation determination.

With this new Congressional directive in hand, the BLM is tasked with implementing the RRA pursuant to [Instruction Memorandum IM 2025-012](#), which outlines the following procedure:

- **Step 1** – The BLM Field Office (FO) enters any new application for a CA into the Mineral Land Record System (MLRS) within 5 business days of receipt.
- **Step 2** – The BLM State Office (SO) leasing staff will create any unleased lands accounts that may be necessary for the unleased federal minerals covered by the pending CA application.
- **Step 3** – The BLM FO will notify both the lessee and the Office of Natural Resources Revenue (ONRR) of the assigned serial number for the CA application and provide instructions to the lessee on how to report production and royalties while the CA is pending.

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- **Step 4** – The BLM FO will create an official application in its Automated Fluid Mineral Support System (AFMSS).

- **Step 5** – The BLM FO will process any unleased lands for the next upcoming oil and gas lease sale. The BLM office in charge of processing the pending CA will request that the lessee submit an expression of interest (EOI) for any unleased Federal minerals within the CA.

- **Step 6** – The BLM FO will update AFMSS and tie the producing wells to the pending application based on BLM’s records or a letter from the lessee listing the wells that BLM should associate with the pending CA application.

- **Step 7** – If the wells associated with the pending CA application are producing, the BLM FO will issue a preliminary “[First Production Memorandum](#)” after tying the wells to the pending application in AFMSS. BLM will not issue a First Production Memorandum for the CA application until the wells are producing.

- **Step 8** – The BLM (FO or SO) will update the production status of all federal leases tied to the pending CA application to reflect the actual or allocated production in MLRS.

When the BLM issues a final determination on the CA application, it will identify whether the lessee must adjust production reporting or royalty paid. All final decisions will be sent via certified mail, return receipt requested, and are an appealable decision. BLM also notifies ONRR in order to determine when the CA lessee receives the final determination for royalty interest calculations. Lastly, BLM is tasked with maintaining the CA correspondence and records and will record the date of receipt in MLRS.

***Note:** The Act does not apply to unit or communitization agreements containing Indian lands.

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