

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Transparency Provisions of Section 23      )  
Of the Natural Gas Act**

**Docket Nos. RM07-10-002**

**COMMENTS OF  
INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA  
FOLLOWING MARCH 25, 2010 TECHNICAL CONFERENCE**

Pursuant to the request of the staff of the Federal Energy Regulatory Commission (“FERC” or “Commission”), the Independent Petroleum Association of America (“IPAA”) hereby respectfully submits the following comments following the March 25, 2010 Technical Conference on Form No. 552. IPAA is submitting these comments out-of-time, owing to legislative priorities associated with financial reform. IPAA respectfully requests that the Commission staff accept these comments as it reviews Form No. 552.

**I. Communications**

IPAA represents thousands of American independent oil and natural gas producers and associated service companies. Independent producers drill 90 percent of the wells in the United States and produce approximately 85 percent of the nation's natural gas and over 65 percent of the country's domestic crude oil supply (well above that amount in the Lower-48 states).

Communications concerning these comments should be addressed to:

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## **II. Executive Summary**

IPAA respectfully submits the following comments regarding Form 552:

1. Instructions and definitions should be as simple and straightforward as possible to encourage consistent reporting.
2. Volumes from cashouts and imbalance makeup should be excluded from reporting.
3. “Unprocessed gas” should not be reported.
4. Retain the TBtu unit of measurement.
5. Provide for a safe harbor for Form 552 submissions.
6. Allow for adequate time to encompass any significant changes put in place as a result of the technical conference and comments.

## **III. Comments**

1. At the March 25 technical conference, panelists demonstrated an earnest desire to comply with the Commission’s regulations and the instructions for completing Form 552. The Commission’s convening of the technical conference indicated a corresponding effort to understand industry concerns. Consistent terms and simple instructions are

likely to encourage widespread compliance and increase the quality of data collected.

For industry terms, IPAA suggests relying on definitions from the Energy Glossary of the U.S. Energy Information Administration.

2. Volumes from cashouts and imbalance makeup should be excluded from reporting. In presenting comments at the March 25 technical conference, IPAA's Natural Gas Committee Chairman, Richard Smith of Noble Energy Inc., noted that invoices from or to counterparties two or three months after the production month are not marketing or trading transactions, but are merely adjustments to balancing accounts. In assembling Noble's Form 552, staff spent about 100 hours to gather volume data to report cash-out, imbalance makeup, and operational volumes, which represented less than 1 percent of the total purchase and sales volumes reported. Similar efforts and outcomes were reported by counsel for Process Gas Consumers for various members.

While some transactions may get easier to report after the first submission, cash-outs do not lend themselves to some accounting or computer fix. Cash-outs are accounting entries, separate from sales or purchases. They are likely to remain time-consuming and yield insignificant volumes. Given the significant effort and negligible results, IPAA urges the Commission to exclude cash-outs and imbalance volumes from reportable volumes.

3. Unprocessed gas should not be reported. Several participants stated their understanding of Form No. 552 instructions to exclude unprocessed gas volumes from the definition of Physical Natural Gas Transactions. IPAA urges the Commission to

clarify this blanket exclusion. Transactions subsequent to processing will catch the processed volumes in Forms No. 552 submitted by entities downstream of processing.

4. Retain the trillion British thermal unit (“TBtu”) unit of measurement. While the TBtu measurement is not commonly used, filers of Form No. 552 adjusted and have been compiling data for the 2009 form based on TBtus. To minimize disruption in future filings, IPAA recommends that TBtu be retained for measurement purposes. However, this recommendation is less urgent than the above requests regarding exclusion of cash-outs, imbalance volumes, and unprocessed gas volumes.

5. Provide for a safe harbor for Form No. 552 submissions going forward. IPAA requested a safe harbor as part of a group of industry trade associations. IPAA reiterates its request that inadvertent errors not be subject to penalties intended for disregard of Commission policies and regulations.

6. Allow for adequate time to encompass any significant changes put in place as a result of the technical conference and comments. While IPAA members appreciate the additional time already allowed for submission of 2009 data, it is important that any

significant changes in filing requirements as a result of the technical conference and comments be accompanied by a commensurate extension of the July 1 filing deadline.

Respectfully submitted,

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