

GOVERNMENTAL AFFAIRS REPORT

Highlights At-A-Glance

FEDERAL - Legislative

H.R. 9030 - Repealing the III-Conceived and Problematic (RIP) Book Minimum Tax Act. On October 17, official bill text was made available for H.R. 9030, known as the Repealing the III-Conceived and Problematic (RIP) Book Minimum Tax Act. Sponsored by Rep. Jodey Arrington (R-TX), the bill would repeal the minimum book tax included in the recently enacted Inflation Reduction Act which imposes a 15% minimum "book tax" on C corporations with annual profits in excess of \$1 billion in pre-tax income (based on a three-year income average). "The book minimum tax is disastrous policy at the worst possible time," said Rep. Arrington. "With economic turbulence, historic inflation, and skyrocketing energy costs, Democrats have rolled out a tried-and-failed tax hike that will undermine domestic investment, job creation, and U.S. manufacturing." Senate companion bill, S. 5017, is sponsored by Sen. John Barrasso (R-WY). Read more.

H.R. 9087 - Transparency and Production of American Energy Act. On October 24, official bill text was made available for H.R. 9087, known as the Transparency and Production of American Energy Act or the TAP American Energy Act. Sponsored by Rep. Bruce Westerman (R-AR), the bill would "restart onshore and offshore oil and gas leasing, streamline permitting for energy infrastructure, [and] ensure transparency in energy development on Federal lands." According to Rep. Westerman, the bill specifically would: (1) Prevent any president from imposing bans on federal energy leasing and mineral withdrawals without congressional approval; (2) Require the Department of the Interior (DOI) to immediately resume quarterly lease sales on federal lands and require a minimum of four leases sales per year in each state with eligible lands; (3) Require a

minimum of two annual oil and gas lease sales in available federal waters in the Central and Western Gulf of Mexico Planning Area and in the Alaska Region of the Outer Continental Shelf: (4) Require the publication of the 2023-2028 plan for offshore oil and gas lease sales by Dec. 30, 2022, and that DOI meet certain deadlines for publishing future five-year plans; (5) Require Environmental Assessments and Environmental Impact Statements for all forms of energy development to be completed within one and two years, respectively; (6) Amend the Geothermal Steam Act to require a yearly lease sale for geothermal energy; (7) Streamline the environmental review process to allow pipeline, renewable energy and energy infrastructure projects to move forward efficiently and without compromising environmental protections; and (8) Eliminate requirements for duplicative review and analyses, reducing delays for important upgrades and improvements of our energy infrastructure. Read more.

H.R. 9108 - Endangered Species Transparency and Reasonableness Act of 2022. On October 21, official bill text was made available for H.R. 9108, known as the Endangered Species Transparency and Reasonableness Act of 2022. Sponsored by Rep. Tom McClintock (R-CA), the bill would "amend the Endangered Species Act of 1973 to require publication on the internet of the basis for determinations that species are endangered species or threatened species." Read more.

H. Res. 1445 - Strategic Petroleum Reserve.

On October 21, Rep. Randy Weber (R-TX) and 30 cosponsors introduced House Resolution 1445 (H. Res. 1445) "Recognizing that the irresponsible withdrawal of petroleum products from the Strategic Petroleum Reserve is a threat to the security of the United States." According to Rep. Weber, "We are 639

days into Joe Biden's disastrous presidency, and it has been an all-out assault against American energy. One of the most alarming offensives is Biden's abuse of America's invaluable Strategic Petroleum Reserve (SPR). This resolution calls for President Biden to halt the sale of petroleum products from the SPR and to begin replenishing this critical emergency resource immediately. This is no longer about reducing gas prices for political gain; now he's recklessly gutting our energy defense." Read more.

FEDERAL – Regulatory

BLM Resource Development in the Thompson Divide - Colorado. (Update to 10/17/22 Report) On October 17, the Bureau of Land Management (BLM) published a Notice of Proposed Withdrawal and Public Meeting, Thompson Divide Area, Colorado (87 Fed. Reg. 62878) which opens up the public comment period for the BLM's withdrawal of "approximately 224,793.73 acres, including approximately 200,518.28 acres of National Forest System lands, approximately 15,464.99 acres of BLM-managed public lands, and approximately 8.810.46 acres of reserved Federal mineral interest" from resource development in the Thompson Divide. As previously reported, on October 12, the Interior Department announced the Biden administration's proposal to protect the Thompson Divide from mineral and oil and gas leasing and development. Under the proposal, after a two-year analysis, the Thompson Divide could be subject to a 20-year withdrawal. The Interior Department noted, "the Thompson Divide area has not been available to oil and gas leasing for several years, and there is no current or planned oil exploration or production in the area. Pre-existing natural gas leases in the area would be unaffected by this proposed mineral withdrawal. These pre-existing and unaffected natural gas-related leases in the Thompson Divide area constitute less than 1% of the more than 3,000 active federal leases in the state of Colorado." Read more. The public comment period is open through January 16, 2023, and the BLM will hold a public meeting on December 14, 2022, at the Carbondale & Rural Fire Protection District, 300 Meadowood Drive, Carbondale, CO 81623. Read more.

BOEM Offshore Lease Sale – California. On October 18, the Interior Department announced that the Bureau of Ocean Energy Management (BOEM) will hold an offshore wind energy lease sale on December 6, 2022, for areas on the Outer Continental Shelf (OCS) off central and northern California. Read more. According to the announcement, "This will be the first-ever offshore wind lease sale on America's west coast and the first-ever U.S. sale to support potential commercial-scale floating offshore wind energy development. This sale will be critical to achieving the Biden-Harris administration's deployment goals of 30 gigawatts (GW) of offshore wind energy by 2030 and 15 GW of floating offshore wind energy by 2035." Read more.

BOEM 2023 Outer Continental Shelf Lease Sales in Alaska and the Gulf of Mexico. (Update to 10/17/22 Report) On October 20, the Bureau of Ocean Energy Management (BOEM) published a notice for the Gulf of Mexico Outer Continental Shelf Oil and Gas Lease Sale 259 to be held on March 29, 2023. Read the notice here. The BOEM also has released a Final Environmental Impact Statement (EIS) for the Cook Inlet Planning Area Oil and Gas Lease Sale 258 In Cook Inlet, Alaska (Alaska Outer Continental Shelf). According to the BOEM, "This Final EIS contains analyses of the potential environmental impacts that could result from a Cook Inlet lease sale, BOEM's announcement of Cook Inlet Lease Sale 258 will be made in a Final Notice of Sale and Record of Decision." AAPL will keep members notified once the notice of sale/record of decision is released by the BOEM. Read more. The lease sales, including additional Lease Sale 261 (Gulf of Mexico Outer Continental Shelf) to be held by September 30, 2023, were mandated in the recently enacted Inflation Reduction Act. Read more.

EPA Greenhouse Gas Reduction Fund Request for Information. On October 20, the U.S. Environmental Protection Agency (EPA) published a Request for Information from the public on funding included in the recently enacted Inflation Reduction Act. The EPA will also hold multiple "listening sessions" in November. Read more. Per the EPA, "The Greenhouse Gas Reduction Fund provides competitive funding for financial and technical assistance to enable zero-

emission technologies and projects that reduce or avoid greenhouse gas emissions and criteria air pollution, including in low-income and disadvantaged communities. Congress has appropriated \$27 billion in FY 2022 to implement this new program. These funds are available to EPA to award grants until September 30, 2024." With the notice, the EPA "invites the public to comment on the Greenhouse Gas Reduction Fund program design and implementation. Responses may be used by the EPA to assist in developing program design and guidance." The public comment period is open through December 5, 2022. Read more.

Non-Federal Oil and Gas Operations on National Wildlife Refuge System Lands Information

Collection. On October 19, the Interior Department's U.S. Fish and Wildlife Service (FWS) published a notice of information collection, *Agency Information Collection Activities; Submission to the Office of Management and Budget for Review and Approval; Non-Federal Oil and Gas Operations on National Wildlife Refuge System Lands* (87 Fed. Reg. 63519), in which the FWS is seeking to revise an existing collection of information to "assess the impact of our information collection requirements and minimize the public's reporting burden. It also helps the public understand our information collection requirements and provide the requested data in the desired format." The public comment period is open through November 18, 2022. Read more.

SEC Delays Climate Disclosure Rulemaking.

(Update to 10/17/22 Report) In a positive development for those opposing the Securities and Exchange Commission (SEC) proposed rulemaking that would mandate corporate reporting of climate risks and greenhouse gas (GHG) emissions, the SEC has delayed their final rulemaking – originally set for October 2022 – with no clear timeline for completion. As reported by Bloomberg Law, the SEC "continues to sift through thousands of public comments and factors in a June Supreme Court ruling that endangers the agency's normally broad authority to regulate Wall Street." Evan Williams, Senior Director at the U.S. Chamber of Commerce's Center for Capital Markets Competitiveness, said he "doesn't expect final rules to

be released until the first quarter of 2023." Read more. Under the proposed rule, "for the first time, the agency plans to require companies to report climate change risks to their operations when they file registration statements, annual reports, and other filings. The 490-page proposal called for companies to adopt some climate disclosure requirements as early as 2023 and provide detail on the financial toll that a changing climate costs their business. Those adoption milestones are also likely to be delayed, giving companies more time to prepare for any rules." AAPL has been reporting on this rulemaking during the year, and you may access a detailed AAPL Governmental Affairs Fact Sheet here.

Sen. Manchin Letter to President Biden Regarding Domestic Energy Production. On October 11, Sen. Joe Manchin (D-WV) delivered a letter to President Joe Biden, calling on his administration to take "all actions within your authority" to boost U.S. output of various energy sources. The letter comes in the wake of OPEC+ announcing they will be cutting oil production by 2 million-barrels-per-day starting in November. Specifically, Manchin's letter calls for the administration to take the following actions: Identify any projects pending federal review that can bring new energy production online within the next year and expedite reviews for those projects; Direct federal agencies to prioritize the review of energy projects; Ensure permitting agencies are staffed appropriately; Finalize and implement the next offshore oil and gas leasing Five-Year Program as soon as possible; Address the permitting backlog at the National Marine Fisheries Service (NMFS) that is delaying seismic surveys and production on current Federal leases; Ensure that NEPA implementing regulations require efficient, legally compliant reviews; Ensure Clean Water Act implementing regulations are focused on compliance with water quality standards; Promptly process State applications to EPA for Class VI well primacy; and Encourage States to encourage responsible energy production. Read the letter here. Relatedly, the California Independent Petroleum Association (CIPA) has also called upon the Biden administration to support oil and gas production in the state in an October 14th letter. Read the CIPA letter here.

Republicans Urge President Biden to Unleash Domestic Energy Production. On October 25, a number of Republican congressmen sent a letter to President Biden urging his administration to unleash domestic energy production. The letter was sent in response to the administration's continued drawdown of the Strategic Petroleum Reserve. Read more.

Republican House Oversight & Reform Committee Members Seek Information from the Energy Department. On October 26, Republican members of the House Oversight & Reform Committee sent a letter to U.S. Secretary of Energy Jennifer Granholm requesting certain information and documents related to releases from the Strategic Petroleum Reserve. The letter requests a response by November 9, 2022. Read more.

Michigan Congressional Delegation Urges Energy Secretary to Increase Domestic Production.

On October 24, Michigan's seven congressional Republicans sent a letter to Energy Secretary Jennifer Granholm calling on her "to describe any administration plans or efforts to increase domestic oil and gas production." The letter comes in response to the recent OPEC+ decision to cut oil production and seeks answers from Sec. Granholm by November 21, 2022 on a list of policy questions. Read more.

FEDERAL – Judicial

BLM Leasing – New Mexico. On October 26, environmental groups filed a lawsuit against the Bureau of Land Management (BLM) for its approval of oil and gas leasing in the Greater Chaco region of northwest New Mexico greenlit under the Trump administration. "The groups claim the federal government agreed in April to reconsider the Trumpera leases given their proximity to homes and an area held sacred by Navajos." In Diné Citizens Against Ruining Our Environment v. U.S. Bureau of Land Management (Case No. 1:22-cv-00804-JHR-KK), the litigants challenge the "BLM's decisions to re-affirm the Trump Administration's flawed authorization and issuance of oil and gas leases on 42 parcels, covering nearly 45,000 acres of land administered by the BLM's

Rio Puerco Field Office and Farmington Field Office and BLM's approval of approximately 120 Applications for Permit to Drill (APDs) on 8 of these lease parcels."

The groups say their "challenge faults the agency's failure to adequately analyze the effects this fracking will have on the climate, public health, environmental justice, and cultural resources. In addition, the groups are challenging the Bureau's failure to take steps to avoid unnecessary and undue degradation of public lands in the Greater Chaco landscape or even define the term in the context of climate." Read more.

STATE - Legislative

Setbacks; Health Protection Zones - California. (Update to 10/3/22 Report) The California Geologic Energy Management Division (CalGEM) has announced it will hold a virtual public workshop on November 3, 2022 to "provide an overview of the requirements established by SB 1137, discuss the plan for implementation of early provisions, and provide the opportunity for public comments." For instructions on attending read more here from <u>CalGEM</u>. To follow up our prior reporting, SB 1137 establishes a 3,200-foot setback for well permitting and new oil and gas production facilities within a "health protection zone" of sensitive receptors and strict engineering controls to be implemented by existing operations within the health protection zone. Opponents of SB 1137 have begun the process of challenging the bill in a statewide ballot measure. For background, on September 19, a law firm representing parties seeking to overturn a "new California law establishing distance minimums between new oil wells and certain areas" submitted a proposed statewide referendum to the California Attorney General as a first step in putting the issue on the election ballot. Proponents of Initiative 22-0006 will then have 90 days from the statute's enactment (on September 16) to collect and submit over 623,000 signatures to potentially qualify the measure for the 2024 election ballot. According to news reports, "It is not immediately clear what organization is behind the referendum, though Gov. Gavin Newsom asserted that it's 'big oil' during a speech at Climate Week NYC." The ballot measure was filed just days after Gov. Newsom

signed <u>SB 1137</u> into law, which "bans new oil wells within 3,200 feet of schools, homes and hospitals and requires pollution controls for existing oil wells within 3,200 feet of these zones." We will keep AAPL members informed as the ballot referendum signature process continues. Read more.

Leasing; Royalty Payment and Deductions Information – Pennsylvania. (Update to 7/12/21 Report) On October 26, SB 806, sponsored by Sen. Gene Yaw (R), passed both chambers and was transmitted to Gov. Tom Wolf (D) on October 27. The bill would amend current law to provide for better transparency regarding royalty payments and deductions. Read complete bill summary here. According to the sponsoring memo, the "legislation" would not impact lease agreements, but it would require entities making payments to landowners to provide more description, clarity and uniformity on their royalty check statements. This proposal is designed to help ensure all parties feel their lease agreements are executed as intended, and it will help mitigate concerns that have developed in recent years." Read more.

Notaries Public – Pennsylvania. SB 908 has passed both chambers and was transmitted to Gov. Tom Wolf (D) on October 26. Sponsored by Sen. Judy Ward (R), the bill amends current law "to eliminate the 50-cent fee for the registration of an official signature of a notary public, and to authorize the 'Notary Register' to be located in either the prothonotary's office or the office of the recorder of deeds. The bill further authorizes the electronic transfer of the official signature to the prothonotary's office." Read more.

Well Plugging – Pennsylvania. (Update to 5/9/22 Report) HB 2528 has passed both chambers and was transmitted to Gov. Tom Wolf (D) on October 27. Sponsored by Rep. James Struzzi (R), the bill would require that regarding the plugging of oil and gas wells, the state ensure that well plugging contracts awarded are going to Pennsylvania companies as a first priority. Read more.

STATE – Regulatory

Oil & Gas Conservation Commission Orphan Well Mitigation Fee Enterprise Rules - Colorado. (Update to 7/11/22 Report) The Colorado Oil and Gas Conservation Commission (COGCC) has announced "that it is pushing back the deadline for companies (or operators) to submit a plan that's intended to prevent abandoned oil and gas wells from needing to be plugged by the state if the company goes bankrupt. These financial assurance plans require oil and gas operators in Colorado to pledge money upfront for plugging the wells they drill at the end of their useful life." Read more. As previously reported, in March, the COGCC "passed more stringent financial assurance plan requirements that they trumpeted as among the 'strongest in the nation.'" On June 30, the COGCC followed this with the final adoption of the Orphan Well Mitigation Fee Enterprise Rules. The "rulemaking is the necessary follow through to March's Financial Assurance Rulemaking to establish this first-ever enterprise fund for orphan wells that ensures the creation of an industry funded orphan well program with the highest level of environmental protections," said COGCC Chair Jeff Robbins. The rulemaking establishes a fee paid by industry that is expected to initially generate \$10M annually and is responsive to address orphan wells in the state of Colorado. The fee will be revisited annually, allowing the funding to increase or decrease depending on the needs and anticipated scale of future orphan well work. This robust orphan well funding mechanism needed the legislature to create the Enterprise Fund. This fund is in addition to the \$10-15 million Colorado expects to receive and spend annually for the next ten years from the Federal Infrastructure Investment and Jobs Act. In total, the federal funds and the orphan well funds will likely total \$100-\$115 million over the next 5 years, which is unprecedented and will be totally paid for by industry and the federal government. The rule became effective August 1, 2022. Read more.

COGCC Petition for Cumulative Impacts –
Colorado. On October 13, the Colorado Oil and Gas
Conservation Commission (COGCC) announced that
it is taking public comments and will hold a hearing

on a petition from multiple environmental groups seeking the COGCC to issue rulemaking "to address and evaluate cumulative impacts from oil and gas operations." The public comment deadline is December 2, 2022, and the public hearing will be held December 9, 2022. Read the notice here. This is not a rulemaking initiated by the COGCC but an outside petition. Under state law, the COGCC is not obligated to promulgate any rulemaking based on a petition but is required to maintain a public hearing and comment process. Read the petition here. In the petition, the groups say they "demand the COGCC make rules to address the regional and state cumulative impacts of ozone and climate change and to increase local protections against air pollutants, especially in disproportionately impacted communities." Chelsie Miera, Executive Director of the West Slope Colorado Oil and Gas Association, "has previously said in response to the petition that Colorado environmental lobbyists 'continue their crusade to ban oil and natural gas development by any means necessary' even as families in the state continue to struggle with high gasoline prices, increasing utility costs and high inflation." Read more.

Regulation of Class II Injection Wells - Ohio.

Multiple citizen and environmental groups have launched a petition calling on the U.S. Environmental Protection Agency (EPA) to regulate the Ohio Department of Natural Resources (ODNR) by revoking its authority over Ohio's Class II injection wells and related "fracking waste." Access the petition here. The group's petition claims that "EPA's intervention is needed to ensure that the Class II program in Ohio complies with the Safe Drinking Water Act. ODNR's management of its program has already endangered underground sources of drinking water, enabling multiple out of zone migrations and surface expressions in recent years, and establishing a culture of permissiveness, where operators can repeatedly violate permit terms without fear of enforcement action." The petitioners "request that EPA initiate procedures to revoke Ohio's Class II injection well program and initiate a rulemaking to implement a program that protects the people of Ohio and the environment and addresses the systematic public

participation and environmental justice issues raised by this Petition." Read more.

STATE – Judicial

Centerline Presumption; Mineral Interests; Rights of Way - Colorado. On September 15, in Great Northern Properties, LLLP v. Extraction Oil and Gas, Inc. (Case No. 2022COA110), the Colorado Court of Appeals (Division IV) in a quiet title action "resolves an issue of first impression in Colorado: Does the common law centerline presumption apply to convey the mineral interests beneath a dedicated right-of-way to the owners of abutting parcels?" As described by the court, "The centerline presumption is a common law rule of conveyance, which generally provides that 'a conveyance of land abutting a road or highway is presumed to carry title to the center of that roadway to the extent the grantor has an interest therein, unless a contrary intent appears on the face of the conveyance." Here, the appellate court held that "Applying settled principles of property law, the division concludes, as a matter of first impression, that when the centerline presumption applies, it applies to convey all interests a grantor possesses in the property underlying a right-of-way, including mineral interests. The division also clarifies the conditions that must be met before the centerline presumption applies." According to Colorado law firm, Welborn Sullivan Meck & Tooley, P.C., "Ultimately, the outcome of Great Northern benefits those who own land abutting a road. Landowners conveying property that abuts a road must expressly reserve the minerals interests if that is their intention. Otherwise, a grantee will take possession of the mineral interests underneath the property and underneath the abutting road. This outcome is certainly noteworthy for title attorneys, but it is also important for state and local governments, oil and gas operators, and other owners who may be under the impression that they hold an interest in the minerals under a right-of-way." Read more.

Climate Change Lawsuit – New Jersey. On October 18, the state of New Jersey filed a complaint "against five oil and gas companies and a petroleum trade association, alleging they knowingly made false claims

to deceive the public about the existence of climate change and the degree to which their fossil fuels products have been [ex]acerbating anthropogenic global warming." In *Platkin v. ExxonMobil Corp.* (Case No. not yet docketed), the Attorney General Matthew J. Platkin and the New Jersey Division of Consumer Affairs say the state "is seeking to hold the defendants accountable for systematically concealing and denying their knowledge that fossil fuel consumption could have a catastrophic impact on the climate, causing the devastating consequences of fossil fuel overconsumption: the significant sea level rise, flooding, and extreme weather that have battered New Jersey's citizens and businesses, requiring the State and its residents to shoulder the enormous costs of rebuilding, hardening New Jersey's defenses against severe weather and making the necessary transition away from reliance on fossil fuels to a more sustainable clean-energy future." The state has also named the American Petroleum Institute as a defendant. As of this reporting, the defendants have not yet answered the complaint. Read more.

INDUSTRY NEWS FLASH

▶ U.S. Permian oil production forecast to hit record in November. According to the latest U.S. Energy Information Administration (EIA) productivity report, oil output in the Permian in Texas and New Mexico, the biggest U.S. shale oil basin, is forecast to rise by about 50,000 barrels per day (bpd) to a record 5.453 million bpd in November. U.S. crude oil output in other major U.S. shale basins, including the Bakken and Eagle Ford, are also projected to rise according to the EIA report. Read more.

LEGISLATIVE SESSION OVERVIEW

States in Session



Session Notes: Michigan and **Pennsylvania** are in regular session. The **U.S.** Congress is also in session.

The following are in recess until the dates provided: **Ohio** (November 16) and **California** (November 30).

North Carolina was scheduled to adjourn on July 1, however, the <u>adjournment resolution</u> calls for the regular session to reconvene for monthly mini sessions through December. The legislature completed the last day of their October session on October 20. The next session is scheduled for November 15.

California Democratic Gov. Gavin Newsom is scheduled to call the legislature into a special session on December 5, as previously reported, to attempt passage of a windfall tax on oil industry profits, reports <u>PBS</u>.

Signing Deadlines (by date): New York Democratic Gov. Kathy Hochul has 10 days from presentment, Sundays excepted, to act on legislation or it becomes law without signature. North Carolina Democratic Gov. Roy Cooper has 10 days from presentment to act on legislation or it becomes law without signature.

The following states are currently holding 2022 interim committee hearings: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida House and Senate, Georgia, Hawaii, Idaho, Illinois House and Senate, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi House and Senate, Missouri

House and Senate, Montana, Nebraska, Nevada, New Hampshire House and Senate, New Mexico, North Dakota, Ohio, Oklahoma House and Senate, Oregon, Rhode Island, South Carolina House and Senate, South Dakota, Tennessee, Texas House and Senate, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming.

The following states are currently posting 2023 bill drafts, pre-files and interim studies: Florida, Kentucky, Massachusetts, Montana, Nevada, New Hampshire, North Dakota, Utah, Virginia, West Virginia and Wyoming. ■

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