

>>> Note: Due to out of office travel, the next Weekly Report will be distributed on June 19. <<<

WEEKLY HIGHLIGHTS AT-A-GLANCE

FEDERAL – Legislative

- **Keep it in the Ground Act of 2017.** On May 11, [H.R. 2242](#), known as the “Keep it in the Ground Act of 2017”, introduced by Rep. Jared Huffman (D-CA), was referred to the House Committee on Natural Resources Subcommittee on Energy and Mineral Resources for consideration. The bill seeks to halt new and renewal oil and gas leases on Federal lands by ordering that the Interior Secretary “shall not conduct any lease sale, enter into any new lease, reoffer for lease any land covered by an expiring lease, or renew, reinstate, or extend any nonproducing lease in existence on or before the date of enactment of this Act for onshore fossil fuels, including coal, oil, tar sands, oil shale, and gas on land subject to the Mineral Leasing Act.” [Read more.](#)
- **Bureau of Land Management Headquarters Relocation Act.** On May 11, [H.R. 2287](#), known as the “Bureau of Land Management Headquarters Relocation Act”, introduced by Rep. Scott Tipton (R-CO), was referred to the House Committee on Natural Resources Subcommittee on Federal Lands for consideration. The bill calls for the relocation of the Bureau of Land Management (BLM) from Washington, DC to a western state. “Ninety-nine percent of the nearly 250 million acres of land managed by BLM is west of the Mississippi River, and having the decision-makers present in the communities they impact will lead to better policy,” says Sen. Cory Gardner (R-CO), sponsor of the identical Senate companion bill, [S. 1007](#), which was introduced in the Senate on May 2. [Read more.](#)
- **Cooperative Management of Mineral Rights Act of 2017.** On May 11, [H.R. 2316](#), also known as the “Cooperative Management of Mineral Rights Act of 2017”, introduced by Rep. Glenn Thompson (R-PA), was referred to the House Committee on Natural Resources Subcommittee on Energy and Mineral Resources for consideration. The bill seeks to reinforce in federal law the consistent rulings of federal courts related to privately held mineral rights in the Allegheny National Forest (ANF). Since 2009, federal courts have determined that the U.S. Forest Service lacks the legal authority to further regulate access to private mineral rights in the ANF and therefore is prohibited from creating new rules. This bill will reflect those findings in federal law. “This legislation reaffirms nearly a century of cooperation between the owners of private mineral rights in northwestern Pennsylvania and the federal government,” said Thompson. “Despite repeated attempts by extreme environmental groups to shut down energy production

in the Allegheny National Forest, the legislation will provide certainty and protect the jobs and communities that rely on the Forest's resources." [Read more.](#)

FEDERAL – Regulatory

- **BLM Lease Sales.** On May 23, *Oil and Gas Investor* reported that the BLM is offering more than 398,000 acres in lease auctions in seven separate auctions beginning June 8. The leases up for bid are in Arkansas, Colorado, Montana, Nevada, Oklahoma, Texas, Utah and Wyoming. The online auctions will be held on the EnergyNet platform. [Read more.](#)
- **BLM Lease Sale – Nevada.** On May 25, a group of environmental activists filed an [administrative protest](#) with the BLM in hopes of blocking a June 13 online auction for new oil and gas leases covering roughly 196,000 acres in central Nevada. The protest asserts that “the BLM failed to adequately analyze the impacts of fracking and related industrialization on public lands ecosystems, surface and groundwater, wildlife and the climate.” [Read more.](#)
- **Interior Department Budget for 2018.** The Interior Department has just released its budget for fiscal year 2018, which shows a focus on ensuring American energy independence. For example, “[t]he budget requests additional resources to increase capacity to provide access to energy and minerals development where appropriate, and to manage exploration and development activities efficiently.” The Department’s BLM is also requesting an increase of \$16 million to “help ensure BLM has sufficient administrative and staff capacity to quickly process Applications for Permits to Drill (APDs) and Expressions of Interest (EOIs) in leasing, and to help alleviate administrative burdens in processing rights-of way (ROWs) requests for critical infrastructure needs in support of increased energy development.” While the budget states that the agency “will continue to implement sagebrush and sage grouse habitat management in the highest priority areas” that funding has been reduced by \$11.5 million and the “BLM will also reduce sage grouse conservation funding” and will focus more of their activity on monitoring, reporting, and data collection. [Read more.](#)

STATE – Legislative

- **Permitting – Montana.** (Update to 2/27/17 Weekly Report) On May 17, SB 248, originally introduced by Sen. Mark Blasdel (R) in February, was transmitted to Gov. Steve Bullock (D) for signature. The measure provides that an exempt well permit is not required for use on a lot or parcel created by a family transfer division of land, and establishes limits on sales of land divided by family transfer. [Read more.](#)
- **Notice – Montana.** (Update to 5/8/17 Weekly Report) On May 8, [SB 93](#) was vetoed by Gov. Steve Bullock (D). The governor’s veto letter can be [read here](#). This bill would

have required oil and gas developers and operators to give notice upon completion of their operation to the owner of an occupied dwelling within 990 feet of a well bore. The governor claims this bill would have weakened existing notification standards. [Read more.](#)

- **Gross Receipts Tax – New Mexico.** On May 24, the New Mexico legislature began its special session, which can last up to 30 days, to hammer out a budget deal for the next fiscal year beginning on July 1. In that session, Rep. Jason Harper (R) has introduced tax reform bill, [HB 8](#), that would rename the gross receipts tax as sales taxes as well change the criteria for taxes related to whether a person has a presence in the state for purposes of the gross receipts tax, among other provisions. [Read more.](#)
- **Gross Production Taxes – Oklahoma.** On May 25, Gov. Mary Fallin (R) signed HB 2377 into law. The Act moves up the sunset date for numerous gross production tax incentives to July 1, 2017, requires claims for rebates to be made by September 1, 2017, and delays rebate payments until after July 1, 2018. The incentives apply to numerous wells, including certain recovery projects, deep wells and inactive wells. The measure also sunsets the incentive for production from an economically at-risk oil and gas lease on December 31, 2016, requires claims for rebates to be made by June 30, 2017, and delays rebates payments until after July 1, 2018. [Read more.](#)
- **Railroad Commission – Texas.** (Update to 5/22/17 Weekly Report) Last Monday, Gov. Greg Abbott (R) signed [HB 1818](#) into law. The Act authorizes the continuation of the Texas Railroad Commission through September 1, 2029. The final bill excluded nearly all of the Sunset Commission staff's recommendations, including changing the commission's name and increasing the bonding requirements for oil and gas companies. [Read more.](#)

STATE – Judicial

- **Leasing; Trespass; Subsurface Rights – Texas.** On May 19, in *Lightning Oil Co. v. Anadarko E&P Onshore, LLC* (Case No. 15-0910), the Texas Supreme Court ruled in favor of Anadarko in a case concerning whose permission is necessary for an oil and gas operator to drill through a mineral estate it does not own to reach minerals under an adjacent tract of land. The Court, in affirming lower court rulings, rejected Lightning's argument that its consent was needed before Anadarko could drill through the subsurface covered by its lease and claimed that Anadarko trespassed on its property by drilling through the mineral estate to reach an adjacent lease. While the Court noted that Lightning's mineral estate remains the dominant estate, the accommodation doctrine allows for recovery of the minerals. Thus, the Court held that the surface owner in the adjacent surface estate had the power to authorize Anadarko's drilling. [Read more.](#)

INDUSTRY NEWS FLASH:

◆ **Trump proposes slashing oil and gas royalties to Gulf of Mexico states.** (*FuelFix*, May 23, 2017) President Trump wants the federal government to stop sharing oil and gas royalties from the Gulf of Mexico with Texas and other states along the Gulf Coast. As part of its recently introduced budget for 2018, the White House proposes eliminating a decade old program that was set to deliver \$275 million to Texas, Louisiana, Alabama and Mississippi next year. Since White House budgets are merely a road map for the administration's priorities, it is unknown whether such a proposal will gain any traction in Congress. [Read more.](#)

State-by-State Legislative Session Overview

Alabama adjourned its legislative session on May 19, the [Montgomery Advertiser](#) reports. Despite controversies that captured the national spotlight, most notably including a scandal that resulted in the resignation of former Republican Gov. Robert Bentley and a redistricting fight with racial overtones, the end of the session came with some substantial legislative accomplishments. Prominent highlights included legislation that abolished judicial override in death penalty cases, established a new requirement that insurers extend coverage to autism therapies and ended a ban on midwifery for home births. Proposals to fund construction of new prisons, a priority articulated by former Governor Bentley and his successor, Republican Gov. Kay Ivey, and increase the gas tax stalled at the end of the session. All parties have held out the possibility of a special session to address those issues.

California, Connecticut, Delaware, Illinois, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas and Wisconsin are in regular session. The **District of Columbia Council, United States Congress** and **Puerto Rico** are also in regular session.

Wisconsin convened a special session on January 5 that will run concurrently with the regular session.

West Virginia convened a special session related to budget issues on May 4, and is in recess until June 5. **Alaska** convened its first special session on May 18. A press release from the office of Independent Gov. Bill Walker about the special session can be found [here](#) and Governor Walker's proclamation authorizing the special session can be found [here](#). **Missouri** convened a special session on May 22 to address legislation to re-open a steel plant, reports [U.S. News and World Report](#). **South Carolina** convened a special session related to budget issues on May 23. **New Mexico** convened a special session related to budget issues on May 24 and **Washington** convened its second special session the same day immediately following the adjournment of its first special session.

Minnesota adjourned its regular session on May 22, and adjourned a special session related to budget issues on May 26, the Minneapolis [Star Tribune](#) reports.

Missouri adjourned on May 12. **Alabama** adjourned on May 19. **Nebraska** had been scheduled to adjourn on June 2, but adjourned on May 23.

Vermont is expected to convene a special session on June 21 to address budget issues.

The following states are expected to adjourn their legislative sessions on the dates provided:

Oklahoma (May 26), **Texas** (May 29), **Nevada** (June 6), **Connecticut** (June 7) and **Louisiana** (June 8). **Kansas** did not adjourn as expected on May 11.

Maryland Republican Gov. Larry Hogan has until May 30 to act on legislation or it becomes law. **Colorado** Democratic Gov. John Hickenlooper has until June 9 to act on legislation or it becomes law. **Hawaii** Democratic Gov. David Ige has until July 3 to act on legislation presented after April 25 or it becomes law. **Alabama** Republican Gov. Kay Ivey has 10 days from presentment to act on legislation presented after May 14 or it is pocket vetoed. **Alaska** Independent Gov. Bill Walker has 15 days, Sundays excepted, to act on legislation from the regular session or it becomes law. **Arizona** Republican Gov. Doug Ducey has 10 days from presentment, Sundays excepted, to act on legislation presented after May 5 or it becomes law. **Florida** Republican Gov. Rick Scott has 15 days from presentment to act on legislation presented after May 1 or it becomes law. **Minnesota** DFL Gov. Mark Dayton has three days from presentment, Sundays excepted, to act on legislation or it becomes law. **Mississippi** Republican Gov. Phil Bryant has 15 days from presentment, Sundays excepted, to act on legislation presented after March 24 or it becomes law. **Missouri** Republican Gov. Eric Greitins has 45 days from presentment to act on legislation from the regular session or it becomes law. **Montana** Democratic Gov. Steve Bullock has 10 days after delivery to act on legislation or it becomes law. **Nebraska** Republican Gov. Pete Ricketts has five days from presentment, Sundays excepted, to act on legislation or it becomes law. **South Carolina** Republican Gov. Henry McMaster has until two days after the next meeting of the legislature to act on legislation presented after May 6 or it becomes law. **Tennessee** Republican Gov. Bill Haslam has 10 days, starting the day after presentment, to act on legislation or it becomes law. **Vermont** Republican Gov. Phil Scott has five days from presentment, Sundays excepted, to act on legislation presented after May 15 or it is pocket vetoed.

Iowa Republican Gov. Terry Branstad had a signing deadline on May 22. **North Dakota** Republican Gov. Doug Burgum had acted on all legislation as of May 24.

Franchise Tax

California [AB 1256](#) is scheduled to be heard in the Assembly Appropriations Committee on May 26. This bill would reduce that minimum franchise tax in the second taxable year for a new corporation, and that annual tax in the first taxable year for a new limited partnership, new limited liability partnership, and new limited liability company that is a small business, which is defined as a business entity with gross receipts of \$5,000 or less. The franchise tax would be \$100 if the company is doing less than \$5,000 per year in gross receipts. The amendment addresses when certain sections would become operative.

If this bill becomes law, it would take effect for taxable years beginning on or after January 1, 2018.

A May 24 scheduled third reading for **Louisiana [HB 355](#)** was postponed and the bill is now scheduled to be debated on the floor on May 31. Existing law levies a franchise tax law on every domestic and foreign company doing business in the state at a rate of \$1.50 per \$1,000 of taxable capital up to \$300,000, and then \$3 per \$1,000 of taxable capital above \$300,001. HB 355 contains a provision that would repeal the franchise tax.

This bill is sponsored by Rep. Barry Ivey, R-Baton Rouge.

Third reading for **Louisiana [HB 361](#)** was postponed from May 24 to May 30. Sponsored by Rep. Barry Ivey, R-Baton Rouge, the bill would repeal the franchise tax on January 1, 2018.

Lands

Public Lands

California [AJR 15](#) was passed by the Assembly Water, Parks and Wildlife Committee on May 23 and was ordered to third reading. Sponsored by 15 by Asm. Cecilia Aguiar-Curry, D-Winters, this resolution would urge the U.S. President, the Secretary of the U.S. Department of the Interior, and the Secretary of the U.S. Department of Agriculture to protect federal public lands. It would also support the enactment and use of the [Antiquities Act of 1906](#) as a critical tool for protecting the public good by authorizing the designation of national monuments under the Antiquities Act and to honor and protect the integrity of all national monuments.

Oil and Gas

Oil and Gas General

California [SB 44](#) passed the Senate Appropriations Committee on May 25 with amendments that have not been published yet and is now pending third reading. This bill would require the State Lands Commission in the Natural Resources Agency to administer a legacy oil and gas well removal, plugging and remediation program. Carrying out this program is contingent on appropriation of funds by the legislature.

This bill is sponsored by Sen. Hannah-Beth Jackson, D-Santa Barbara, chair of the Senate Judiciary Committee.

Oklahoma [SB 867](#) passed the House on May 24 after multiple attempts to reconsider the bill failed. This bill would authorize the Corporation Commission to create well spacing units for horizontal oil or gas wells of up to 1,280 acres. Any application for a horizontal spacing unit larger than 640 acres would require the basis for requesting a larger unit. The bill would require that the horizontal lateral must be at least 7,500 feet in order to receive a spacing larger than 640 acres. The drilling of a multiunit horizontal well would be prohibited as the initial unity well for

a spacing unit, unless the contemplated completed portion of the lateral is to extend 10,560 feet. This bill is sponsored by Sen. Mike Schulz, R-Altus.

Texas [HB 3025](#) passed the Senate on May 24 and was returned to the House for enrollment. Sponsored by Rep. Tracy King, D-Uvalde, this bill would change the number of days after a landowner or other person who possesses an abandoned well has to plug or cap the well from 180 days to 30 days after discovering it. The bill would add a new section to the existing law that says no later than 10 days after a landowner who possesses a deteriorated well learns of its condition the landowner would have to have the well plugged. Districts would require that owners or a lessee of land with deteriorated wells plug or repair the well sufficiently to prevent pollution of any water, including ground water. If this bill becomes law, it will take effect immediately.

Royalty Payments

Texas [HB 129](#) was delivered to Republican Gov. Greg Abbott on May 24; he has until June 13 to act on the bill or it will become law without his signature. When submitting payment, this bill would allow a payer of royalty interest to provide required information in another form other than on the check stub, if the interest owner gives written permission. If this bill becomes law it will take effect on September 1, 2017.

This bill is sponsored by Rep. Tom Craddick, R-Midland.

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