



GOVERNMENTAL AFFAIRS WEEKLY REPORT

Weekly Highlights At-A-Glance

FEDERAL - Legislative

H.R. 1505 – Bonding Reform and Taxpayer Protection Act of 2021. On May 4, official bill text was made available for H.R. 1505, known as the Bonding Reform and Taxpayer Protection Act of 2021. The bill, sponsored by Rep. Alan Lowenthal (D-CA), would "increase the amount of bond that oil and gas developers must post before being allowed to drill on public land leased from the federal government." According to the bill sponsor, the bill "will increase the bond amounts for a single lease from \$10,000 to \$150,000 and sets the amount for a set of leases in a single state from \$25,000 to \$500,000. Additionally, the Bonding Reform and Taxpayer Protection Act, requires companies to develop and present a detailed reclamation plan to the Bureau of Land Management (BLM) before any development can occur on leased public land, requires higher bonds where necessary to ensure complete and timely reclamation of a lease, sets fees to cover the cost for inspection and enforcement, and gives U.S. Fish and Wildlife Service the same statutory authority as BLM, the National Park Service, and the U.S. Forest Service to retain bonds for oil and gas operators to address onsite damages." Read more.

H.R. 1755 – Northern Rockies Ecosystem
Protection Act. On May 12, official bill text was
made available for H.R. 1755 known as the Northern
Rockies Ecosystem Protection Act. The bill,
sponsored by Rep. Carolyn Maloney (D-NY), would
designate certain National Forest System lands
and certain public lands under the jurisdiction of
the Secretary of the Interior in the States of Idaho,
Montana, Oregon, Washington, and Wyoming as
wilderness, wild and scenic rivers, wildland recovery
areas, and biological connecting corridors, and

prohibit oil and gas resource development in those areas. Read more.

H.R. 1600 - Methane Emissions Reduction Act.

On May 10, official bill text was made available for H.R. 1600, known as the *Methane Emissions Reduction Act*. The bill, sponsored by Rep. Fred Upton (R-MI), would enable the Department of Energy to help states in reducing methane

of Energy to help states in reducing methane emissions from oil and natural gas production. This bill is a reintroduction of legislation that Rep. Upton introduced in a prior session that never moved forward. Read more.

H.R. 1726 – America Needs Worthwhile Resources

Act. On May 13, official bill text was made available for H.R. 1726, known as the America Needs Worthwhile Resources Act or the ANWR Act. The bill. sponsored by Rep. Don Young (R-AK), provides "that an order or action by the President or the Secretary of the Interior imposing a moratorium on oil and gas leasing shall not take effect without the express approval of Congress." According to Rep. Young, "It is not surprising, though no less disappointing, that President Biden is continuing Obama-era attacks against Alaska. By placing a moratorium on energy development in ANWR, President Biden has surrendered to his party's environmental extremists. Very frankly, no president should have this unilateral power. Today, I am proud to introduce the ANWR Act, which reigns in executive overreach, and puts power back into the hands of the people through their elected representatives." Read more.

H.R. 544 – Stop Arctic Ocean Drilling Act of 2021. On May 10, official bill text was made available for H.R. 544, known as the Stop Arctic Ocean Drilling Act of 2021. The bill, sponsored by Rep. Jared Huffman (D-CA), would prohibit oil and gas drilling in the Artic Ocean by providing that the federal government "shall not issue or renew a lease or any other authorization for the exploration, development, or production of oil, natural gas, or any other mineral in the Arctic Ocean, including the Beaufort Sea and Chukchi Sea Planning Areas." Read more.

H. Res. 163 – Support of Domestic Energy Production. On May 10, official bill text was made available for H. Res. 163. The resolution sponsored by Rep. Bob Latta (R-OH), and not a bill, "expresses the sense of the House of Representatives that the United States should support, and not limit access to, all domestic sources of energy development in an effort to achieve full energy security, including by expanding use of renewable and alternative energy sources, and increasing domestic oil production." Read more.

S. 1038 – Regional Greenhouse Gas Reduction Act of 2021. On May 4, official bill text was made available for <u>S. 1038</u>, known as the Regional Greenhouse Gas Reduction Act of 2021. The bill, sponsored by Sen. Maggie Hassan (D-NH), would establish within the Environmental Protection Agency an Office of Regional Greenhouse Gas Reduction Programs. According to the bill sponsor, "This office would provide analysis and technical assistance to help establish new regional greenhouse gas reduction programs, expand existing programs such as [Regional Greenhouse Gas Initiative] RGGI and the Western Climate Initiative, and support states that are already members of such programs. The bill would also provide grants for state and local governments to take preliminary steps toward developing or participating in a regional greenhouse gas reduction program." According to Sen. Hassan, "Climate change threatens our economy, our health, and our natural resources. Initiatives like the Regional Greenhouse Gas Initiative leverage marketbased solutions to reduce emissions, lower energy use and bills, and create jobs." The bill, if passed, "would support current RGGI programs and help expand this type of regional greenhouse gas initiative to other states and local governments." Read more.

S. 1201 – United States Climate Leadership in International Mitigation, Adaptation, and **Technology Enhancement Act of 2021.** On May 11, official bill text was made available for S. 1201, known as the United States Climate Leadership in International Mitigation, Adaptation, and Technology Enhancement Act of 2021. Sponsored by Sen. Bob Menendez (D-NJ), the bill "lays out a bold vision to assure the United States appropriately leads the global effort to combat the climate crisis through a new suite of climate foreign policy, climate finance and foreign assistance, and climate diplomacy programs and initiatives. The legislation also directs U.S. bilateral and multilateral engagements and strategies on climate, and improves integration of climate policy into all aspects of U.S. foreign affairs." Among the many climate change provisions and greenhouse gas emissions policies, the bill also "focuses energy specific assistance programs to support clean energy development." Read more.

FEDERAL - Regulatory

BLM Instruction Memorandum Reinstates Obama-era Policies. In yet another assault on federal onshore oil and gas leasing by the Biden administration, on April 30, the Bureau of Land Management (BLM) issued new federal oil and gas leasing policies which overturn those under the Trump administration and largely reinstate Obamaera policies. Under <u>Instruction Memorandum (IM)</u> 2021-027, the BLM "sets out the policy of the Bureau of Land Management (BLM) to ensure that oil and gas lease sales are held in accordance with the Mineral Leasing Act (30 U.S.C. § 226) and other applicable laws, as well as Executive Order 13990, Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis." According to the IM, "The following policy applies to the leasing of Federal minerals under BLM administered surface, state-owned surface, and private surface estates. The BLM does not manage leasing on Indian lands; therefore, this policy does not apply to Indian lands. This policy (1) addresses land use planning, lease parcel review, lease sales and lease issuance, and IM implementation; and (2) directs the BLM to incorporate the revised policy, as appropriate, into affected BLM handbooks and manuals." The IM is set to be in effect until September 30, 2024. According to oil and gas law firm, Beatty & Wozniak, P.C., "This is significant to industry because the new policies will likely result in substantial delays in BLM offering nominated lease parcels for competitive sale, longer timeframes for NEPA reviews, and more deferrals of nominated parcels that are protested by interest groups." The IM also will "extend the review periods for parcels nominated for competitive sale, require more sitespecific environmental review and analysis before parcels can be offered for sale, and encourage BLM to 'coordinate and/or consult on the parcel review and NEPA analysis with interested parties potentially affected by the BLM's leasing decisions." Read more.

BLM Information Collection. On May 5, the BLM published a notice of information collection, *Agency Information Collection Activities; Oil and Gas, or Geothermal Resources: Transfers and Assignments* (86 Fed. Reg. 23980). According to the BLM notice, "This collection of information enables the BLM to process assignments of record title interest and transfers of operating rights in a lease for oil and gas or geothermal resources. The information also enables the BLM to ensure the assignee or transferee is in compliance with the bonding requirements, when necessary, before approval of the transfer or assignment." The deadline to submit comments is June 4, 2021. Read more.

Independent Contractors; U.S. Department of Labor – Washington, DC. (Update to 2/8/21 Weekly Report) The Biden administration has finally dealt a final blow to a Trump administration labor rule that favored independent contractors. On May 6, the U.S. Department of Labor (DOL) issued final rule, Independent Contractor Status Under the Fair Labor Standards Act (FLSA): Withdrawal (86 Fed. Reg. 24303), which completely withdraws the Trump-era rule finalized in the final days of the administration and which never took effect since it had been delayed by the Biden administration prior to its effective date.

(Read a detailed summary of the withdrawal here) According to The Hill, "In deciding questions of employee status, the Biden administration will now rely on a longstanding multi-factor test established by judicial precedent. That often-complicated analysis would have been narrowed by the Trump administration's regulation." Read more. As noted in previous reports, on February 5, the Biden administration published a notice, Independent Contractor Status Under the Fair Labor Standards Act: Delay of Effective Date (86 Fed. Reg. 8326), which delayed the effective date of the Trump administration's independent contractor rule to at least May 7, 2021, while it reviewed the rule and solicited public comments. The rule originally had an effective date of March 8, 2021. On January 7, the Trump administration's DOL issued its long-awaited employer and independent contractor-friendly final rule, Independent Contractor Status Under the Fair Labor Standards Act (86 Fed. Reg. 1168), which, according to Bloomberg Law, "makes it easier for businesses to classify workers as independent contractors" and "adopt[s] a simpler, shorter test for when a worker may be legally classified as an independent contractor rather than an employee." (Read a detailed analysis of the rule here) According to that now-rescinded rule release, the DOL "is revising its interpretation of independent contractor status under the Fair Labor Standards Act (FLSA or the Act) to promote certainty for stakeholders, reduce litigation, and encourage innovation in the economy." The rule was expected to clarify how independent contractor status is determined and may have allowed employers greater protections in employee misclassification cases. "Once finalized, it will make it easier to identify employees covered by the Act, while respecting the decision other workers make to pursue the freedom and entrepreneurialism associated with being an independent contractor," said then outgoing Labor Secretary Eugene Scalia. Read more.

Taking of Migratory Birds; U.S. Fish and Wildlife Service. (*Update to 2/8/21 Weekly Report*) On May 6, the U.S. Fish and Wildlife Service (FWS) published a proposed rule, *Regulations Governing Take of*

Migratory Birds; Proposed Rule (86 Fed. Reg. 24573), to revoke the January 7, 2021, final regulation that limited the scope of the Migratory Bird Treaty Act (MBTA) finalized under the Trump administration and which removed industry penalties for accidental or incidental bird deaths. The public comment period is open through June 7, 2021. Read more. For background, on February 3, the Biden administration halted the Trump administration's MBTA rule from taking effect as scheduled for February 8. During the final days of the Trump administration the FWS published its final rule, Regulations Governing Take of Migratory Birds (86 Fed. Reg. 1134), which specified that the prohibitions on harm to migratory birds under the MBTA would only apply to deliberate, rather than incidental, harm. The push for this rule by the Trump administration had been lauded by industry groups. According to the Oil and Gas Journal, "The rule will at least temporarily reduce the risk of litigation for oil companies whose oil waste pits can kill birds." The final rule was intended to clarify that the FWS "will not prosecute landowners, industry and other individuals for accidentally killing a migratory bird. This opinion has been adopted by several courts, including the U.S. Court of Appeals for the Fifth Circuit," said then Interior Secretary David Bernhardt in an announcement of the rule. Read more. The final published Trump-era rule was an outgrowth of that court opinion and a victory for the outgoing Trump administration. Read more.

FEDERAL – Judicial

Federal Hydraulic Fracturing Development Plan – Colorado. On May 10 environmental groups sued the Interior Department and its specific agencies challenging the Bureau of Land Management (BLM) and U.S. Forest Service (FWS) approval of a plan in 2020 that allowed hydraulic fracturing "across 35,000 acres of Colorado's Western Slope. The North Fork Mancos Master Development Plan allows 35 new fracking wells in the North Fork Valley and Thompson Divide areas of the Grand Mesa, Uncompahgre. and Gunnison national forests." In <u>Citizens for a Healthy Community v. U.S. Dept. of Interior</u> (Case No. 1:21-cv-01268), the plaintiffs claim that decisions made

by the BLM and FWS to approve the North Fork Mancos Master Development Plan through an Environmental Assessment, Record of Decision and Finding of No Significant Impact under the Trump administration "violated the National Environmental Policy Act and other laws by failing to fully assess the potential for water pollution and harm to the climate, and by refusing to analyze alternatives that would minimize or eliminate harm to the environment. The plan would result in about 52 million tons of greenhouse gas pollution, equivalent to the annual pollution from a dozen coal-fired power plants." The environmental groups are asking the U.S. District Court for the District Court of Colorado to rescind the approvals and stop any oil and gas resource development on the lands. Read more.

Climate Change Policies – Missouri. (Update to 5/3/21 Weekly Report) As we previously reported, on April 22, Louisiana, joined by nine other states, sued the Biden administration in federal court challenging the administration's approach to calculating the financial impacts of climate change. Now, on the heels of that lawsuit. 14 states have sued the Biden administration seeking a preliminary injunction to bar federal agencies from using the newly strengthened "social cost of greenhouse gases" as "binding values in any agency action." Federal agencies use the "social cost of greenhouse gases" to assess the cost of emitting carbon dioxide, methane, and other gases. The Trump administration lowered that value, but the Biden administration restored Obama-era methodology and adopted higher values. According to the suit filed on May 3 in Missouri v. Biden (Case No. 4:21-cv-00287-AGF), "In theory, these numbers would justify imposing hundreds of billions or trillions of dollars in regulatory costs on the U.S. economy in upcoming years to offset these supposed 'social costs,'" the states told the U.S. District Court for the Eastern District of Missouri. "In practice," they wrote, "these numbers will inevitably be used to justify increased regulation and expansion of federal regulatory authority in numerous areas." According to Bloomberg Government, "The case is part of an effort by Republican attorneys general to push back on the

Biden administration's ambitious environmental agenda. The states asked the court to rule by late August, before major rulemakings are likely to be complete." Read more.

STATE - Legislative

Independent Contractors - Alabama. On April 19, Gov. Kay Ivey (R) signed HB 408 into law. The Act, sponsored by Rep. Wes Kitchens (R), sets forth a uniform test for independent contractor (IC) status in the state by using the 20-factor IRS common law test. According to Independent Contractor Compliance, "The IRS's traditional standard contains the most business-favorable test for IC status [and] the new law states specifically that the IRS test shall be used to determine whether a worker is an employee or independent contractor." According to the law firm, Bradley Arant Boult Cummings LLP, "By contrast, the United States Department of Labor (USDOL) has several tests it uses, depending on which federal statute it is enforcing, all of which tilt toward finding a worker to be an employee, even if only a part-time employee." The Act is effective July 1, 2021. Read more.

ANWR Leasing – Alaska. (Update to 3/8/21 Weekly Report) On May 12, Gov. Mike Dunleavy (R) approved HJR 12. The House Joint Resolution, sponsored by Rep. George Rauscher (R) urges "the United States Department of the Interior, Bureau of Land Management, to honor the recent lease sales and proceed with permitting in the Arctic National Wildlife Refuge; urging the President of the United States to defend the 2020 Record of Decision approving the Coastal Plain Oil and Gas Leasing Program in the Arctic National Wildlife Refuge: opposing designation of the Arctic National Wildlife Refuge as a National Monument; and urging the Alaska delegation in Congress to uphold sec. 20001 of the Tax Cuts and Jobs Act of 2017." The measure serves as a legislative statement of sentiment and has no weight of law and cannot direct the federal government to take or abstain from any action. Read more.

Notarial Acts – Arkansas. On April 30, Gov. Asa Hutchinson (R) signed SB 340 into law. The Act, sponsored by Sen. Bob Ballinger (R), updates existing law regarding the witnessing of certain documents by a notary public and provides for remote, electronic notarial acts. The Act is effective immediately. Read more.

Severance Withholdings - Colorado. (Update to 3/22/21 Weekly Report) On May 7, Gov. Jared Polis (D) signed HB 1156 into law. The Act, sponsored by Rep. Mike Lynch (R), fixes defects related to severance withholding. Specifically, under existing law prior to HB 1156, a producer or purchaser was required to withhold an amount from each disbursement made to an interest owner in any oil and gas produced in the state and pay this amount to the department of revenue. According to the HB 1156 legislative summary, "The bill fixes defects related to this law by: For purposes of electronic payments, replacing a cross-reference to a repealed subsection with a reference to the current statutory requirement; Expanding the defined term 'producer' to be 'producer or purchaser' to eliminate a redundancy in the law; and Repealing extraneous references to 'oil shale' from the definition. The bill also repeals obsolete filing requirements that applied prior to July 1, 2007." The Act is effective 90 days following final adjournment of the legislative session on June 12, 2021. Read more.

Greenhouse Gas Emissions – Colorado. On April 28, SB 200 advanced favorably to its second committee. Th bill, sponsored by Sen. Fait Winter (D), supplements existing greenhouse gas (GHG) emissions reductions by requiring the state Air Quality Control Commission to consider the social cost of GHG emissions, finalize certain rules by 2022, requiring power generation and transmission entities to submit GHG reductions plans, and requiring retail, wholesale, and municipal electric utilities to reduce GHG emissions by specified dates. The bill also would label GHGs as a "regulated pollutant" as well as establish environmental justice programs, among other provisions. Read more.

Notaries Public - Idaho. On May 10, Gov. Brad Little

(R) signed SB 1065 into law. The Act, sponsored by Sen. Lee Heider (R), "eliminates authorization for use of the Governor's facsimile signature in the appointment and commissioning of notaries public, since these appointments and commissionings are now performed by the Secretary of State." The Act is effective July 1, 2021. Read more.

Revised Unclaimed Property Act – Indiana. (Update to 1/25/21 Weekly Report) On April 29, Gov. Eric Holcomb (R) signed SB 188 into law. The Act, sponsored by Sen. Eric Koch (R), repeals the Unclaimed Property Act and replaces it with the Revised Unclaimed Property Act and includes sections regarding minerals and mineral proceeds. The Act is effective July 1, 2021. Read more.

Wills; Powers of Attorney; Trust Instruments; Electronic Recording; Notarial Acts – Indiana. (Update to 1/25/21 Weekly Report) On April 29, Gov. Eric Holcomb (R) signed HB 1255 into law (Read full bill analysis here). The Act, sponsored by Rep. John Young (R), makes numerous changes to probate law, including wills, powers of attorney, trust instruments, electronic recording, and notarial acts. The Act is effective immediately. Read more.

Notarial Acts – Kansas. (Update to 2/8/21 Weekly Report) On April 21, Gov. Laura Kelly (D) signed SB 106 into law. The Act, sponsored by the Senate Judiciary Committee (R), revises existing notarial law to adopt the Revised Uniform Law on Notarial Acts, and provides for remote, electronic notarial acts. The Act has multiple effective dates. Read more.

Independent Contractors – Louisiana. On May 13, HB 705 advanced to a floor vote following its introduction by Rep. Neil Riser (R) on May 10. The bill provides for the misclassification of employees and criteria for classifying employees. Specifically, the proposed law provides that if an individual or entity meets at least seven of twelve criteria listed in proposed law, there shall be a rebuttable presumption of an independent contractor relationship with the contracting party for whom

the independent contractor performs work. The proposed law also provides that obtainment of an independent contractor certification from the state is optional and is not required to establish independent contractor status. The proposed law further provides that any contracting party or independent contractor may rely on the provisions of proposed law to establish an employment or independent contractor relationship. Read more.

Risk Charges; Nonparticipating Mineral Owners -Louisiana. (Update to 4/19/21 Weekly Report) On May 4, Sen. Bob Hensgens (R) introduced SCR 44 to create "the Risk Charge Commission to study current R.S. 30:10, relative to risks and cost of drilling in a compulsory unit and to submit recommendations to the Senate Committee on Natural Resources and the House Committee on Natural Resources and Environment no later than February 4, 2022. The commission terminates upon the date of submission of such report or February 4, 2022, whichever occurs first." SCR 44 has been introduced in place of <u>SB 59</u> which did not advance and would have provided for the risk charge against nonparticipating mineral owners in drilling units, and among other amendatory provisions, sets forth the obligations owed by the lessee and drilling owner with respect to the payment of any lessor royalty and overriding royalty due. Read more.

Independent Contractors – Louisiana. On May 3, SB 244 passed the Senate by unanimous bipartisan vote. The bill, first introduced on April 27 by Sen. Jay Luneau (D), amends and reenacts specific parts of the law pertaining to the misclassification of employees as independent contractors, and provides for certain administrative penalties for misclassification, although the bill supports independent contractor designations by providing clarity on the difference between employees and independent contractors. Read more.

Board of Oil and Gas Conservation – Montana. On May 4, HB 498 was transmitted to Gov. Greg Gianforte (R). The bill, sponsored by Sen. Steve Gunderson (R), amends existing law to clarify the jurisdiction of the Board of Oil and Gas Conservation regarding the primacy of mineral estates and limitations on planning district effects on the primacy of the mineral estate, to limit access to the mineral estate, or to limit development of the mineral estate. Read more.

Greater Sage-Grouse – Montana. (*Update to 2/22/21 Weekly Report*) On April 30, Gov. Greg Gianforte (R) signed SB 249 into law. The Act, sponsored by Sen. Mike Lang (R), amends existing laws related to funding of the Sage-Grouse Stewardship Act. The Act authorizes a cost-sharing agreement between the Department of Fish, Wildlife & Parks and the Department of Natural Resources and Conservation. The Act is effective July 1, 2021. Read more.

Oil and Gas Production Tax; Nonoperating School Districts – Montana. (*Update to 1/11/21 Weekly Report*) Gov. Greg Gianforte (R) has signed SB 24 into law and the Act is effective July 1, 2021. The legislation, sponsored by Sen. Daniel Salomon (R), allows a nonoperating school district to retain oil and gas revenue, specifically, "For a district in nonoperating status under 20-9-505, the maximum amount of oil and natural gas production taxes that a school district may retain is 130% of the school district's maximum budget in the district's most recent operating year." Read more.

Sustainable Economy Task Force – New Mexico. (Update to 2/22/21 Weekly Report) On April 5, Gov. Michelle Lujan Grisham (D) signed SB 112 into law. The Act, sponsored by Sen. Mimi Stewart (D), appropriates funds "from the general fund to the Department of Finance and Administration (DFA) to create the sustainable economy task force, administratively attached to DFA, for the purpose of developing an annually updated strategic plan to transition the state economy away from reliance on natural resource extraction." The House Energy, Environment and Natural Resources Committee amendment to the final bill clarifies task force membership and creates "the sustainable economy advisory council" administratively attached to other

programs and "provides for its membership which includes representation from disproportionately impacted communities, business groups, tribal governments, and others." The adopted amendment also asks the task force to include in its duties, a plan to implement recommendations from the "New Mexico Clean Energy Workforce Development Study," published by the Workforce Solutions Department in 2020, "and expand access to jobs with family-sustaining wages and benefits, prioritizing disproportionately impacted communities." The Act is effective July 1, 2021. Read more.

Tribal Lands; Taxation – North Dakota. (*Update to 2/8/21 Weekly Report*) On April 28, Gov. Doug Burgum (R) signed SB 2319 into law. The Act, sponsored by Sen. Jordan Kannianen (R), applies to tribal lands and amends existing law relating to distribution of revenue from wells located outside reservation boundaries. The Act applies to oil and gas tax revenue collections allocated by the state treasurer after September 1, 2021. <u>Read more</u>.

Recording Instruments – Ohio. On May 12, HB 237 was considered in a hearing following its introduction. The bill, sponsored by Rep. Brett Hillyer (R), would require counties to provide an electronic means of recording instruments and accessing them, and to allow county recorders to charge a document preservation surcharge and to increase recording fees for certain instruments. Read more.

Review of Executive Orders - South Dakota.

(Update to 2/22/21 Weekly Report) HB 1194 died upon adjournment of the legislative session. The bill, sponsored by Rep. Aaron Alyward (R), would have provided for a review of Presidential executive orders to determine whether the state should seek an exemption from the application of the order or seek to have the order declared to be an unconstitutional exercise of legislative authority by the President. The bill specifically applied to natural resources and land related issues. Read more.

Tort of Public Nuisance - Texas. On May 3, HB 2144

was reported out of committee after a favorable vote on April 28. The bill, sponsored by Rep. Cody Harris (R), would reform the tort of public nuisance to remove the common law tort and replace it with a statute that specifically defines which actions may be actionable for public nuisance. According to the Texas Civil Justice League, "Traditionally, the common law doctrine of public nuisance has been used to enforce 'established public rights,' which means the common interest of all members of the public to the use of public land, air, and water. In terms of oil and gas operations, the common law can create litigation opportunities for plaintiffs who bring claims against resource development companies from upstream to downstream channels. As the Texas Civil Justice League notes in its support of the bill, "Public nuisance has also been used to launch national litigation against, for example, the Texas energy industry, threatening the economic wellbeing of our state and its citizens." Most importantly, the bill establishes that a person may be held liable for a public nuisance "only if the person causes an unlawful condition and controls that unlawful condition at the time the condition violates an established public right. Conditions arising from the following conduct are not considered unlawful conditions for purposes of a public nuisance action: an activity expressly authorized or encouraged by a statute, ordinance, rule, or other similar measure adopted by the state, a political subdivision of the state, the United States, or a regulatory agency of the state or the United States; and the lawful manufacturing, distributing, selling, advertising, or promoting of a lawful product." (Read a complete bill summary and analysis here) For example, if the Texas Railroad Commission has approved drilling operations and related practices. a private citizen cannot bring a lawsuit against an operator for conducting those activities. The bill also provides a higher burden which a citizen must meet in order to maintain a lawsuit. Read more.

Well Subcontractors – Texas. On May 6, HB 3416 advanced after passing favorably out of committee. The bill, sponsored by Rep. Drew Darby (R), relates to indemnity agreements between contractors and

subcontractors for services pertaining to certain wells or mines. Specifically, the bill "seeks to provide transparency in these triparty relationship agreements and protect subcontractors by requiring a contractor, before entering into or renewing such an agreement with a subcontractor or third party, to provide written notice to the subcontractor regarding the subcontractor's indemnification obligations to the contractor and third party and written notice to the third party stating whether the subcontractor possesses liability insurance coverage or qualified self-insurance for the obligations and the dollar limits of the insurance." Senate companion bill, <u>SB 1599</u>, was introduced by Sen. Eddie Lucio (D) and left pending in committee. <u>Read more</u>.

SPECIAL LEGISLATIVE SECTION: SESSION ADJOURNMENTS

NEW MEXICO SESSION ADJOURNMENT

ROUNDUP. The New Mexico legislative session adjourned on March 30, 2021 and the deadline for action by Gov. Michelle Lujan Grisham (D) on any legislation has now passed, officially bringing the 2021 regular legislative session to a close. Following is the status of bills AAPL had been tracking for members this session that failed to advance and died upon adjournment.

HB 9 – Democrat bill; Creates the Climate Solutions Act, which establishes a climate leadership council, deadlines for the state to achieve specific reductions in greenhouse gas emissions (GHGE), requirements for state agencies to achieve GHGE reductions, and a number of definitions related to climate, economic development, and socioeconomic equity.

HB 30 – Democrat bill; Would amend existing law to provide that a lease of water under a water right and subsequent use of that water shall not take effect until after the application has been approved in accordance with law.

HB 50 – Democrat bill; Provides for a private right of action related to oil and gas injury and imminent

harm, economic and otherwise, under existing statutes.

HB 95 – Democrat bill; Would amend certain Water Code sections to impose new requirements on the Office of the State Engineer when processing water rights permit applications.

HB 136 – Republican bill; Would create an exception to the New Mexico Subdivision Act for parcels divided for oil or gas operations.

HB 148 – Democrat bill; Would increase the employer unemployment contribution rate by two-tenths percent starting January 1, 2022.

HB 159 – Republican bill; Would amend provisions governing rulemaking under the Public Health Emergency Response Act to prohibit agencies from promulgating rules that add to or alter state statutes when a public health order is in effect, unless the proposed rule changes are authorized by the governor.

HB 181 – Republican bill; Regarding severance taxes, states that the tax on carbon dioxide shall be zero percent until December 31, 2030 for a qualified enhanced recovery project that involves the injection of captured carbon dioxide in the process of displacing oil and other liquid hydrocarbons that is demonstrated to sequester the carbon dioxide pursuant to rules promulgated by the department.

HB 265 – Democrat bill; Regarding land acquisition and conservation, the bill authorizes grants to political subdivisions for unique and significant land acquisitions; requires consent on the part of the state agency or corporation to assume certain land management responsibility; inserts a new section of the Natural Lands Protection Act to establish a competitive grant award process; and no longer requires Energy, Minerals and Natural Resources Department consult with an advisory committee for some administrative functions.

HJM 3/SJM 3 – Republican joint memorials; Would request that "a waiver be requested of

President Joe Biden's administration to the recent sixty-day suspension of new oil and gas leasing and drilling permits for federal lands in New Mexico."

SB 67 – Democrat bill; Would enact a new section of the Public Utility Act to require that new and replacement energy generation capacity constructed on or after July 1, 2021 only generate clean energy.

SB 86 – Democrat bill; Would prohibit the use of fresh water in oil and gas production; creates spills, leaks, and other releases penalties; and provides for the promotion of public health, among other provisions.

SB 149 – Democrat bill; The bill would prohibit the issuance of new hydraulic fracturing permits for the purpose of extracting oil or natural gas through June 1, 2025 and imposed certain regulatory reporting requirements.

SB 296 – Democrat bill; Increases penalties for violations, noncompliance, and failure to correct noncompliance related to the New Mexico Mining Act, the Air Quality Control Act, the Hazardous Waste Act, the Water Quality Act, and the Solid Waste Act.

SJR 2 – Democrat joint resolution; Proposes an amendment to the state constitution to eliminate the governor's pocket veto.

SJR 3 – Democrat joint resolution; Would amend the state constitution to include a right of the people of the state to a clean and healthy environment and to protect natural resources on behalf of the people.

All bills and history may be accessed directly at the New Mexico Legislature website: https://www.nmlegis.gov/Legislation/Bill_Finder.

As always, these and all other bills AAPL tracks for members can be found in the Bill Tracking Summary spreadsheet available only to members on the AAPL website at:

https://www.landman.org/resources/advocacy-and-legal.

WEST VIRGINIA SESSION ADJOURNMENT

ROUNDUP. The West Virginia legislative session adjourned on April 11, 2021 and the deadline for action by Gov. Jim Justice (R) on any legislation has now passed, officially bringing the 2021 regular legislative session to a close. Following is the status of bills AAPL had been tracking for members this session that failed to advance and died upon adjournment.

HB 2020 – Republican bill; Purpose of this bill is to simplify criteria used to define independent contractors and to impose objective standards on the differentiation of independent contractors from employees.

HB 2074 – Republican bill; Purpose of this bill is to implement the recommendations arising out of the studies required by the Natural Gas Horizontal Well Control Act passed by the Legislature December 14, 2011. The bill requires continuous monitoring of air, noise, dust and particulates. The bill requires the operator to undertake the best available control technology if standards for air, noise, dust or particulates are exceeded. The bill changes the set back from horizontal well work activity to a residence to 1.500 feet from the limit of well work disturbance.

HB 2081 – Democrat bill; Purpose of this bill is to require lessees of West Virginia real estate who make natural resources royalty payments for in-state property to any nonresident lessor, to withhold West Virginia personal income tax on natural resources royalty payments. The bill provides exceptions, penalties, defines terms and grants rule-making authority.

HB 2132 – Democrat bill; Purpose of this bill is to change an elective obligation to a mandatory one. The bill requires notice in certain instances to the occupants of residential property. The bill prohibits the disturbance of a well site be no closer than 1,500 feet of an occupied dwelling. The bill provides notices include certain information. The bill establishes standards relating to air, noise, light, and dust. The

bill permits landowners be compensated for any decrease in the values of the land for its highest and best use. The bill requires the notice of a claim be also provided to an occupant of residential structure on the property. The bill establishes a statute of limitations for claims being filed.

HB 2205 – Republican bill; Purpose of this bill is to create a procedure to streamline the process to claim abandoned mineral interests.

HB 2227 – Democrat bill; Purpose of this bill is to extend the distance from occupied dwellings or certain other structures in which surface mine production blasting may not occur, from 300 feet to 625 feet, to be consistent with the distance a gas well drilling pad must be from an occupied dwelling.

HB 2282 – Democrat bill; Purpose of this bill is to provide for a new fee on each MFC of natural gas produced to fully fund public employee benefits; allow a tax credit for value-added jobs in West Virginia for persons paying this fee; and creating a special reserve account to assume that sufficient moneys are collected to preserve the existing insurance program for a 5-year period, then allowing excess proceeds to be directed to general revenue.

HB 2530 – Republican bill; Purpose of this bill is to clarify the definition of an employee for the purposes of unemployment compensation and workers' compensation to match and conform with Internal Revenue Code provisions.

HB 2589 – Democrat bill; Purpose of this bill is to prevent oil and gas wells from being orphaned on surface owner's land with no responsible driller or operator with the resources to plug the well.

HB 2725 – Democrat bill; Purpose of this bill is to provide stable and adequate funding to the Office of Oil and Gas of the Department of Environmental Protection in order to oversee oil and gas wells' compliance with the law for the life of the wells. The Office of Oil and Gas currently only receives, and unlike other offices is only funded by, one-time fees

generated by the applications for the permits for initial drilling of a well. It only has a reduced staff of 25 including only one inspector for every 5000 wells. The bill provides the funding by requiring an annual oversight fee of \$100 for each well that is to be used for the functions of the Office of Oil and Gas with any excess to be used to plug orphaned wells.

HB 2810 – Republican bill; Purpose of this bill is to remove the severance tax on oil and gas produced from low producing wells.

HB 2853/SB 538 – Republican bills; Purpose of these bills is to provide for the unitization of interests in drilling units in connection with shallow horizontal oil or gas wells. The bills set forth application requirements. The bills establish the standard of review. The bills provide for unitization orders. The bills require notice and timeliness. The bills provide for hearings. The bills address oil and gas produced from shallow horizontal wells. The bills add new definitions and modify existing definitions.

HB 2879 – Democrat bill; Purpose of this bill is to modify the term "employee" to include an individual who provides work for an employer under the terms of an independent contract with such employer.

HB 2889 – Democrat bill; Purpose of this bill is to simplify criteria used to define independent contractors and to impose objective standards on the differentiation of independent contractors from employees.

HB 2975 – Democrat bill; Purpose of this bill is to provide that the limit of disturbance of a well site may not be closer to an occupied building than 2.500 feet.

HB 3051 – Republican bill; Purpose of this bill is to require the secretary of the Department of Environmental Protection to adopt rules relating to the standardization of leases, deeds or contracts relating to oil and gas, consistent in format with the purpose of making the terms of these documents less confusing to the landowners.

HB 3147 – Democrat bill; Purpose of this bill is to "double the tax on the privilege of severing natural gas and oil."

HB 3214 – Republican bill; Purpose of this bill is to reallocate and dedicate three percent of oil and gas severance tax revenues up to \$20 million annually to the oil and gas producing counties of origin and their respective municipalities. The bill establishes state and local oil and gas county reallocated severance tax funds and provides for distribution of the moneys to the county commissions and governing bodies of the municipalities by the State Treasurer. The bill establishes a procedure for determining the amounts each oil and gas producing county and their respective municipalities are to receive and requires the creation of local funds into which moneys are to be deposited. The bill requires the funds to be used solely for economic development projects and infrastructure projects. The bill also provides restrictions on fund expenditures.

SB 6 – Republican bill; Purpose of this bill is to simplify the criteria used to define independent contractors and to impose objective standards on the differentiation of independent contractors from employees.

SB 32 – Republican bill; Purpose of this bill is to clarify, for purposes of this article, the types of operating expenses that must be used for purposes of valuing producing oil and natural gas wells, the methodology that shall be used by the Tax Commissioner in calculating operating expenses, the confidentiality of information submitted by natural resource producers to the Tax Commissioner, reports that must be submitted by the Tax Commissioner to the Joint Committee on Government and Finance, and to provide for alternate appeal of proposed valuation of natural resources property for ad valorem property tax purposes.

SB 72 – Republican bill; Purpose of this bill is to require the sheriff to send notices to the owners of record and to each resident or occupant of real

property prior to selling the property for which property taxes have not been paid.

SB 362 – Republican bill; Purpose of this bill is to create the Orphan Oil and Gas Well Prevention Act; providing for restrictions to permit oil and natural gas wells, certain prohibitions, and requiring plugging assurance requirements; providing for limitations on the transfer of wells; providing for responsibility of previous operators to plug transferred wells; providing for different methods for operators to provide plugging assurance of wells including for wells not producing in paying quantities; providing administrative and management responsibilities for the chief of the Office of Oil and Gas and the State Treasurer regarding plugging assurance funds; providing clarifications regarding the duties of mineral and surface owners; providing for rulemaking authority and severability.

SB 538 – Republican bill; Purpose of this bill is to provide for the unitization of interests in drilling units in connection with shallow horizontal oil or gas wells. The bill sets forth application requirements. The bill establishes the standard of review. The bill provides for unitization orders. The bill requires notice and timeliness. The bill provides for hearings. The bill addresses oil and gas produced from shallow horizontal wells. The bill adds new definitions and modifies existing definitions.

SB 681 – Republican bill; Purpose of this bill is to protect employees of the State of West Virginia and its political subdivisions from being commandeered by a federal agency or other agent to enforce federal regulations and other actions, related to extractive resources or related downstream industries, which do not exist in state law.

SB 712 – Republican bill; Purpose of the bill is to establish annual oversight fee for wells producing more than 10,000 cubic feet of gas per day; and providing that those fees, if not used for other purposes, may be moved to the Oil and Gas Reclamation Fund.

All bills and history may be accessed directly at the West Virginia Legislature Bill Status website: https://www.wvlegislature.gov/bill_status/bill_status.cfm.

As always, these and all other bills AAPL tracks for members can be found in the Bill Tracking Summary spreadsheet available only to members on the AAPL website at:

https://www.landman.org/resources/advocacy-and-legal.

STATE - Regulatory

Environment Department Proposed Ozone Rule - New Mexico. On May 6, the New Mexico Environment Department (NMED) announced the release of a proposed rule "that will improve air quality for all New Mexicans by establishing innovative and actionable regulations to curb the formation of ground-level ozone in the state's most affected regions. The rule will also result in reduced emissions of dangerous greenhouse gases." (See proposed rule fact sheet) According to Gov. Michelle Lujan Grisham (D), "This rule will not only hold industry accountable, but will also spur innovation and greener practices in the oil and gas fields. The effect will be equivalent to taking eight million cars off the road every year." The announcement states that "Once finalized, the new rule will reduce emissions of ozone precursor pollutants – volatile organic compounds and oxides of nitrogen - by nearly 260 million pounds annually and reduce methane emissions by over 851 million pounds annually. The rule will apply in New Mexico counties with high ozone levels. Currently, this includes Chaves, Doña Ana, Eddy, Lea, Rio Arriba, Sandoval, San Juan, and Valencia counties." Regarding the proposed rule, NMED Cabinet Secretary James Kenney said, "We undertook a two-year planning process, engaging with thousands of New Mexicans across the state, scientists and researchers inside and outside of our agencies, oil and gas operators, and environmental organizations. We listened closely during the public comment process, we invested

significant staffing resources, and we delivered a nationally leading oil and gas rule as a result." Public hearings on the rule will begin in September 2021. Read more.

State Land Office Reports Monthly Royalty
Earnings Record – New Mexico. On May 4,
Stephanie Garcia Richard, Commissioner of Public
Lands, announced that the New Mexico State Land
Office broke a record for its highest monthly royalty
earnings with \$109.8 million earned in April 2021.
"The money earned by the State Land Office in April
was more than any month since statehood – over
\$109 million – brought in through royalty payments
on our oil and gas leases," said Garcia Richard.
"When the State Land Office has huge revenue
months like this, New Mexicans benefit directly
from that success." Read more.

Draft Oil and Gas Division Monitoring and Enforcement Plan; Railroad Commission - Texas. On May 11, the Texas Railroad Commission (RRC) published a notice regarding their Draft Oil And Gas Division Monitoring And Enforcement Plan. The RRC is accepting public comments regarding their "annual plan to assess the most effective use of its limited resources to protect public safety and minimize damage to the environment." According to the announcement, "The purpose of this plan is to define and communicate the Oil and Gas Division's strategic priorities for its monitoring and enforcement efforts. The plan confirms many of the division's current priorities as well as establishing direction for data collection, stakeholder input, and new priorities for fiscal year 2022." The public comment period is open through June 10, 2021. Read more.

Production Reporting; Railroad Commission – Texas. On May 5, the Texas Railroad Commission (RRC) published a notice alerting oil and gas operators of electronic filing requirements for Form PR. Monthly Production Report. Per the RRC notice, "The revisions support the RRC's regulation of flaring and venting of produced natural gas. The proposed revisions are to the Form PR Instructions and how

operators need to complete the form, not to the structure of the form itself." Specifically, "The RRC is delaying implementation of the revised Form PR to provide operators and the RRC time to make changes to their production reporting systems. Operators will continue to use the existing Form PR until the phased implementation. On September 1, 2021, Disposition Code 4 will no longer be accepted. Gas that is flared must be allocated to Disposition Code 10 and gas that is vented must be allocated to Disposition Code 11. On January 1, 2022, operators must report the applicable 2-letter authorization codes in the 'REMARKS' field on the form." Read more.

STATE - Judicial

Well Plugging – New Mexico. On April 22, Stephanie Garcia Richard, Commissioner of Public Lands of the State of New Mexico, filed suit against two oil and gas companies, seeking "damages against a former State Land Office oil and gas lessee, BC&D Operating, Inc., and a related company, Dominion Production Company, for their failure to clean up two massive abandoned leases on state land in McKinley County." In the case, Richard v. BC & D Operating. Inc. (Case No. not yet docketed), the State Land Office claims the companies had not "honored their part of the state's Accountability and Enforcement Program, launched in November 2020," which is an "agency-wide programmatic approach being undertaken to ensure oil and gas companies, and other lease holders, honor their contractual promise to operate and close out responsibly." Read more.

Deeds; Reservations; Bona Fide Purchasers – Pennsylvania. In *Walters v. Mcllvee* (Case No. 1415 WDA 2019), the Pennsylvania Superior Court addressed a dispute over oil and gas rights underlying a parcel of property and whether they were subject to reservation. As noted by law firm Houston Harbaugh of the case, "The question of whether a sale of real estate includes the underlying gas rights remains a troubling issue for some Pennsylvania landowners." Here, there were several transactions and deeds concerning 220 acres of real

estate and a recorded deed which was missing reservation language agreed upon in a sale agreement which created the dispute upon which this case is premised. The appellate court "had to wrestle with several competing, and in some ways, contradictory concepts, namely i) the doctrine of 'merger', ii) the equitable remedy of deed reformation and iii) bona fide purchaser status." But in the end, by "harmonizing" these concepts, the Superior Court found that a reservation of "minerals" did in fact intend to include oil and gas, the parties had notice, and the defendants were not bona fide purchasers, and in so doing affirmed the trial court's findings. Read more.

Allocation and Production Sharing Wells; Railroad Commission – Texas. On May 12, a Travis County district court held that the Railroad Commission of Texas (RRC) has no authority to issue permits for allocation and production sharing wells. In Opiela v. Railroad Commission of Texas (Case No. D-1-GN-20-000099), the 53rd Judicial District court held that the RRC "violated the Administrative Procedure Act by informally adopting rules for issuance of allocation and production sharing well permits without following the rule-making procedures of the Act. The Court ruled in an appeal by a mineral owner of the Commission's order granting a well permit to Magnolia Oil & Gas Operating for a well in Karnes County." The judge found that the RRC "should have considered whether the Opielas' lease and its pooling clause gave Magnolia authority to drill the well." However, the RRC "had concluded that it has no authority to consider the lease terms." According to Austin law firm, Graves, Dougherty, Hearon & Moody, "Although the Commission has been issuing permits for allocation and production-sharing wells for years, it has never adopted formal rules as required by the Administrative Procedure Act setting forth the requirements for such well permits. The Act requires publication of proposed rules and opportunity for public comment before adopting them. Mineral owners have protested applications for allocation wells before, but until now no court has ruled whether the Commission has authority under its rules to issue such permits. In all prior

protests, either the parties settled or the permit was withdrawn or expired before a court could address the issue." Here, the Court has remanded the case back to the RRC for further proceedings consistent with the judgment. Read more.

INDUSTRY NEWS FLASH

▶ Oil rises to highest level since March. On May 12, Rigzone reported that oil rose to the highest level since early March with a second straight weekly decline in U.S. crude supplies underscoring the progress the world has made in draining a record supply glut built up last year. "Inventories are still trending in the right direction," said Quinn Kiley, a portfolio manager at Tortoise, a firm that manages roughly \$8 billion in energy-related assets. "The economy globally is reopening and that should continue, so we should see continuing draws." Read more.

LEGISLATIVE SESSION OVERVIEW

States in Session



Session Notes (by date): Alabama, Alaska, California, Colorado, Connecticut, Delaware, Illinois, Iowa, Louisiana, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Vermont, and Wisconsin are in regular session. The U.S. Congress is also in session. The following legislatures are in recess until the dates provided: **Kansas** (May 26), **Arkansas** and **Indiana** (TBD) and **Idaho** House (call of the speaker).

The **Idaho** Senate adjourned on May 12, while the House went into recess, subject to the call of the House speaker, to a date no later than December 31, reports the <u>Idaho Capital Sun</u>.

Alaska Republican Gov. Mike Dunleavy is scheduled to call the legislature into two special sessions this summer; the first on May 20 to address the state's operating budget and the second on August 2 to fix the yearlong fiscal conflict over the Permanent Fund dividend, reports the <u>Anchorage Daily News</u>.

The following states adjourned their 2021 legislative sessions on the dates provided: **Tennessee** (May 6), and **Montana** and **South Carolina** (May 13).

The following states are scheduled to adjourn their 2021 legislative sessions on the dates provided: **Alabama** and **Minnesota** (May 17) and **Alaska** (May 19).

Signing Deadlines (by date): Arizona Republican Gov. Doug Ducey had until May 6 to sign or veto legislation or it became law without signature. Georgia Republican Gov. Brian Kemp had until May 10 to sign or veto legislation or it became law without signature. Washington Democratic Gov. Jay Inslee has until May 18 to sign or veto legislation or it becomes law without signature. Maryland Republican Gov. Larry Hogan has until June 1 to sign or veto legislation or it becomes law without signature. Hawaii Democratic Gov. David Ige has until July 1 to sign or veto legislation or it becomes law without signature. Florida Republican Gov. Ron DeSantis has 15 days from presentment to sign or veto legislation or it becomes law without signature. Illinois Democratic Gov. J.B. Pritzker has 60 days from presentment to sign or veto legislation or it becomes law without signature. Indiana Republican Gov. Eric Holcomb has seven days from presentment to sign or veto legislation, or it becomes law without signature. Kentucky Democratic Gov. Andy Beshear has 10 days from presentment, except Sundays, to sign or veto legislation or it becomes law without signature.

Maine Democratic Gov. Janet Mills must act on legislation presented within 10 days of adjournment or it becomes law unless returned within three days after the next meeting of the same legislature. Mississippi Republican Gov. Tate Reeves has 15 days from presentment, except Sundays, to sign or veto legislation or it becomes law without signature. Montana Republican Gov. Greg Gianforte has 10 days from presentment to act on legislation or it becomes law without signature. **New Jersey** Democratic Gov. Phil Murphy has 45 days from presentment to act on legislation or it becomes law without signature. North Dakota Republican Gov. Doug Burgum has 15 days from presentment, Saturdays and Sundays excepted, to sign or veto legislation or it becomes law without signature. **South Carolina** Republican Gov. Henry McMaster has five days from presentment, excluding Sundays, to act on legislation or it becomes law without signature. Tennessee Republican Gov. Bill Lee has 10 days starting the day after presentment, Sundays excluded, to sign or veto legislation or it becomes law without signature. ■

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