

GOVERNMENTAL AFFAIRS REPORT

FEDERAL – Legislative

S. 5212 – Enhanced Energy Recovery Act.

On September 25, Sen. John Barrasso (R-WY) was joined by cosponsors Sen. James Lankford (R-OK) and Sen. Bill Cassidy (R-LA) in introducing [S. 5212](#), known as the Enhanced Energy Recovery Act. The bill would “create parity under the Section 45Q carbon capture tax credit by giving across-the-board, equal treatment for carbon captured for increased energy production, utilization and sequestration.” Sen. Barrasso said, “For years, Wyoming has proudly led the way on carbon capture projects. We’ve successfully used this technology to take carbon out of the air and find productive uses for it. One of those uses includes enhanced oil and natural gas recovery – a technique that significantly increases energy production while reducing carbon emissions. Recent changes to Section 45Q have made it harder for American energy producers and manufacturers to use this credit. The Enhanced Energy Recovery Act fixes this policy by ensuring equal treatment for energy production, utilization, and sequestration. This will bolster our nation’s energy security, support Wyoming’s energy workers, and help lower costs for American families.” [Read more.](#)

S. 5193 – Gunnison Outdoor Resources Protection Act. On September 25, Sen. Michael Bennet (D-CO) introduced [S. 5193](#), known as the Gunnison Outdoor Resources Protection Act. The bill would “designate certain special management areas, wildlife conservation areas, protection areas, recreation areas, wilderness areas, and scientific research and education area in the State of Colorado.” Specifically, the measure would designate “nearly 123,000 acres of new wilderness areas, and additions to existing wilderness areas, which would allow only the lightest-impact human activities, such as hiking and canoeing. The bill would also “withdraw nearly 75,000 acres from oil and gas

development” in the North Fork Valley in neighboring Delta County, “and establish ‘no surface occupancy’ requirements forbidding oil and gas well pads or rigs on nearly 50,000 acres of Forest Service lands in Delta County.” [Read more.](#)

H.R. 9759 – Protect the Permian Act. On September 23, Rep. Tony Gonzales (R-TX) introduced [H.R. 9759](#), known as the Protect the Permian Act. The bill would “increase criminal penalties for stealing, transporting, and selling oil and oil field-related equipment and expand federal resources to law enforcement agencies to target oil theft.” According to Rep. Gonzales, “The Permian Basin is an energy-producing powerhouse. Across West Texas and the Permian Basin region, large and small oil producers are dealing with widespread oil theft. In addition to taking oil, criminals have hijacked trucks and stolen expensive equipment to extract copper pieces to sell. It’s time to get laws on the books that hold criminals accountable for coming into West Texas to steal our energy resources—the *Protect the Permian Act* will do just that.” [Read more.](#)

H.R. 7377 – Royalty Resiliency Act. (*Update to 9/16/24 Report*) On September 20, [H.R. 7377](#), known as the Royalty Resiliency Act, was signed into law by President Joe Biden. Sponsored by Rep. Wesley Hunt (R-TX), the measure amends the Federal Oil and Gas Royalty Management Act to ensure the federal government collects royalties only on resources that have been recovered from federally managed lands. According to law firm Holland & Hart, the bill “mandates the U.S. Department of the Interior to promptly determine the production amounts on which operators owe royalties to the federal government. This change aims to prevent producers from overpaying while awaiting the Bureau of Land Management’s (BLM) approval of communization agreements. Under current law, the Secretary has 120

days to make this determination, but there's flexibility to extend this deadline by waiving interest on royalty obligations. H.R. 7377 eliminates this exception, assuming the pending communization plan is correct, which would prevent companies from overpaying royalties while interest accrues during the delay. Notably, if the government delays approval, it does not return any interest to the company once the agreement is finalized.” Commenting on the bill, Independent Petroleum Association of America COO Dan Naatz said, “The Independent Petroleum Association of America applauds Congressman Hunt for passage of H.R. 7377, the ‘Royalty Resiliency Act,’ and appreciates his leadership in fixing reporting issues and closing loopholes in the federal royalty assessment and payment process. IPAA member companies are committed to finding creative solutions to problems that exist within the scope of oil and natural gas production on federal lands. We commend Rep. Hunt for seeking innovative solutions that will enhance the ability of America to continue to have a robust onshore oil and natural gas program and the U.S. Senate for taking quick action on this important piece of legislation.” The bill takes immediate effect. [Read more.](#)

House Budget Committee Hearing on Biden Administration Energy Policies. On September 19, the House Budget Committee held a hearing titled, “The Cost of the Biden-Harris Energy Crisis,” examining how Biden administration energy policies have negatively impacted the American economy and growth. Witnesses included former AAPL speaker, Alex Epstein, President and Founder Center for Industrial Progress, and other industry representatives. To access a full video recording of the hearing and witness testimony, [Read more.](#)

Carbon Capture and Sequestration Tax Credits. On September 20, Sen. Elizabeth Warren (D-MA) led other lawmakers in calling upon the U.S. Department of the Treasury, Internal Revenue Service, and the U.S. Environmental Protection Agency to ensure strong guardrails are in place to prevent abuse of the so-called 45Q tax credit designed to encourage carbon capture and sequestration projects. In a letter to the heads of those agencies, the lawmakers request

assurances that actual carbon sequestration takes place in exchange for those tax credits. They write, “The 45Q tax credit, commonly referred to as the federal carbon sequestration tax credit, can be claimed by ‘qualified taxpayers for every metric ton of carbon oxide captured and sequestered that would have otherwise been released into the atmosphere.’ The 45Q credit was initially designed to incentivize investment in CCS and emission reductions. However, the credit has been primarily used to ‘increase oil production from aging wells, canceling out most of the emissions reduction benefit.’” In short, the lawmakers say the IRS should mandate independent, third-party verification of carbon sequestration, including for any leaks discovered, for entities to claim the 45Q credit; agencies must improve coordination to effectively monitor the 45Q tax credit; and the IRS should require more stringent record-keeping requirements. [Read the letter here.](#)

FEDERAL – Regulatory

BLM Annual Adjustment to Cost Recovery Fees. On September 20, the Bureau of Land Management (BLM) published its *Minerals Management: Annual Adjustment of Cost Recovery Fees* ([89 Fed. Reg. 77170](#)). Published annually, the action adjusts “the fixed fees set forth in the Department of the Interior’s onshore mineral resources regulations for the processing of certain minerals program-related documents and actions.” The publication provides a table of processing and filing fees for documents and applications filed with the BLM, including oil and gas leasing, permit applications, assignments and more. The publication also applies to geothermal, coal, and solid minerals. [Read more.](#)

BLM Alaska Resource Advisory Council. On September 26, the BLM announced it is seeking public nominations to serve on the Alaska Resource Advisory Council (RAC) to fill two existing vacancies. As noted by the BLM, “RAC membership must be balanced and representative of the various interests concerned with the management of the public lands.” Interested parties may self-nominate. The closing date is October 28, 2024. [Read more.](#)

Office of Natural Resources Revenue Information Collection. On September 23, the Interior Department's Office of Natural Resources Revenue (ONRR) published a notice of information collection, *Agency Information Collection Activities; Accounts Receivable Confirmations Reporting* (89 Fed. Reg. 77540). The ONRR is seeking public feedback on information it collects from the public regarding the collection of royalties and other mineral revenues. The public comment period is open through October 23, 2024. [Read more.](#)

FEDERAL – Judicial

BLM Methane Emissions Rule – North Dakota.

On September 12, in [North Dakota v. U.S. Dept. of Interior](#) (Case No. 1:24-cv-00066) a North Dakota federal court temporarily halted the BLM's [Waste Prevention, Production Subject to Royalties, and Resource Conservation emissions rule](#) from taking effect.

That rule aimed to “cut energy waste from venting, flaring and leaks.” [Read more about the rule here.](#) U.S. District Judge Daniel Traynor held, “At this preliminary stage, the plaintiffs have shown they are likely to succeed on the merits of their claim the 2024 Rule is arbitrary and capricious.” As reported by the *AP*, “North Dakota, along with Montana, Texas, Wyoming and Utah, challenged the rule in federal court earlier this year, arguing that it would hinder oil and gas production and that the Interior Department's Bureau of Land Management is overstepping its regulatory authority on non-federal minerals and air pollution. The bureau says the rule is intended to reduce the waste of gas and that royalty owners would see over \$50 million in additional payments if it was enforced.” [Read more.](#)

Dunes Sagebrush Lizard – Texas. On September 23, the state of Texas sued the federal government to challenge the Endangered Species Act listing of the dunes sagebrush lizard as endangered. In [Texas v. U.S. Department of the Interior](#) (Case No. 7:24-cv-00233), Texas Attorney General Ken Paxton is calling the designation an “unlawful misuse of environmental law” and a “backdoor attempt to undermine Texas's oil and gas industries.” For background, the “U.S. Fish and Wildlife Service deemed the lizard to be endangered due to factors including habitat loss, ‘degradation from

development by the oil and gas and the frac sand’ mining industries and ‘climate change and climate conditions.’” Paxton contends that the designation was based on “inaccurate and arbitrary assumptions.” We will keep AAPL members updated as the case progresses. [Read more.](#)

BLM Oil and Gas Production – Wyoming.

On September 13, a federal District Court held “that the Bureau of Land Management's approval of the 5,000-well Converse County Oil and Gas Project in eastern Wyoming was illegal because the agency's groundwater modeling contained major errors and grossly underestimated the depletion of groundwater by the massive oil and gas project.” [Read more.](#) In [Powder River Basin Resource Council v. U.S. Dept. of the Interior](#) (Case No. 1:22-cv-02696-TSC), the U.S. District Court for the District of Columbia found the BLM's environmental analysis for the project area was flawed but stopped short “of completely revoking the Bureau of Land Management's Trump-era approval of the 1.5 million-acre, 5,000-well project in Converse County, but the decision will put any new permits for the area on hold.” Wyoming Gov. Mark Gordon (R) said, “Judge Chutkan's ruling is an extreme overreaction to a calculation mistake made by the BLM. This unnecessary delay merely punishes Wyoming oil and gas companies, when this error could be easily rectified. The governor has always viewed Converse County Oil and Gas Project as one that balances energy development while safeguarding Wyoming's wildlife, and he continues to believe that this project achieves those goals.” [Read more.](#)

STATE – Legislative

Local Control of Oil and Gas Operations – California.

On September 25, Gov. Gavin Newsom (D) signed Democratic bill [AB 3233](#) into law. According to the legislative summary, the bill “Authorizes a local entity, by ordinance, to limit or prohibit oil and gas operations or development in its jurisdiction, notwithstanding any other law or any notice of intention, supplemental notice, well stimulation permit, or similar authorization issued by the supervisor or district deputy.” In short, the bill “allows cities, counties, and local voters to

block construction of new oil and gas wells in their communities.” As reported, “the industry staunchly opposed [AB 3233], [which] overturns a state Supreme Court ruling from last fall. In that case, the justices ruled in favor of Chevron and nullified a ballot measure that Monterey County voters passed in 2016 to ban new oil and gas wells there over pollution concerns, saying that state regulations took precedent. Environmental groups pushed hard this year for the new law, which could affect a broad range of communities that have passed local oil drilling restrictions over the past decade, from Antioch and Brentwood in Contra Costa County to Santa Cruz County to the city of Los Angeles.” [Read more.](#)

NMED Permitting Fees – New Mexico. On September 18, the New Mexico Environment Department (NMED) Secretary James Kenney testified at a Legislative Finance Committee meeting where he called for increasing oil and gas permitting fees “to help fund staff to process applications and enforce rules.” Kenney told the panel, “We need to do more. And our agencies that can raise their fees, should.” But at the meeting, some lawmakers disagreed that NMED needed to raise fees and defended the oil and gas industry and its role in the state economy. “I find it interesting that [the industry] that brings the most money to the state budget for New Mexico is one of the most attacked,” said NM Rep. Gail Armstrong (R). Increasing oil and gas fees may be proposed by Democrats in the next legislative session commencing January 2025. [Read more.](#)

For all 600+ bills AAPL is currently monitoring and tracking for members, please see the continuously updated member-exclusive AAPL Governmental Affairs Bill Tracking Summary spreadsheet, available through the AAPLConnect LANDNEWS and Governmental Affairs Network member forums [here](#) or on the AAPL website [here](#).

[STATE – Regulatory](#)

ECMC Produced Water Rulemaking – Colorado. On September 20, the Colorado Energy & Carbon Management Commission (ECMC) announced

release of produced water carbon rulemaking. [Read more.](#) For background, according to the ECMC, “On June 7, 2023, Governor Polis signed into law House Bill 23-1242 which amended the Colorado Oil and Gas Conservation Act, in part, by requiring the Commission to adopt rules implementing a statewide reduction in Fresh Water usage and a corresponding increase in usage of recycled or reused Produced Water at Oil and Gas Locations by December 31, 2024 [...] The Commission instituted this Produced Water Rulemaking to comply with the relevant provisions of House Bill 23-1242.” [Read more.](#) You may [access a redline of the rulemaking amendments here](#). The ECMC will also hold a stakeholder meeting on Oct. 1, 2024, and public hearings on December 11-19, 2024. The ECMC notice also provides information on requesting party status to participate in hearings and information for submitting public comment. [Read more here.](#)

NMED Produced Water Feasibility Study – New Mexico. On September 17, the New Mexico Environment Department (NMED) released a draft feasibility study for a water usage proposal that according to NMED, “aims to address key challenges the initiative faces and the opportunities it garners for the future of New Mexico’s water supply and economy.” [Access the NMED Feasibility Study here.](#) NMED is also “requesting technical, economic and legal feedback from subject matter experts to ensure the feasibility study’s thoroughness.” [Access the NMED public feedback form here.](#) As reported by the *New Mexico Political Report*, “The study looks at using treated brackish and produced water, which is a byproduct of oil and gas extraction, for industrial purposes in an effort to reduce demands on freshwater supplies. That proposal is known as the Strategic Water Supply.” [Read more.](#)

RRC Geothermal Rulemaking – Texas. The Texas Railroad Commission (RCC) announced that at its September 24, 2024 meeting it “proposed a rulemaking regarding new Chapter 6, Geothermal Resources, specifically new rules in Subchapter A, Shallow Closed-Loop Geothermal Systems.” According to the RRC, “The new rules are proposed

to implement the requirements of [Senate Bill 786](#) (88th Legislature, Regular Session, 2023). Senate Bill 786 amended [Texas Water Code §27.037](#) to transfer regulatory authority of closed-loop geothermal injection wells to the Commission from the Texas Commission on Environmental Quality (TCEQ). Thus, the bill provided the Commission with jurisdiction and permitting authority for these wells. Water Code §27.037 directs the Commission to adopt rules necessary to administer the section and to regulate closed-loop geothermal injection wells.” [Access the proposed rulemaking here](#). The proposed rulemaking will be formally published in the *Texas Register* on October 11, 2024, and the public comment period will be open through November 12, 2024. [Read more](#). You may [access the RRC public comment portal here](#).

Electric Grid Reliability to Support Oil and Gas – Texas. On September 26, the Public Utility Commission of Texas (PUCT) approved “the Permian Basin Reliability Plan, which is designed to expand power grid infrastructure in the United States’ largest oilfield to accommodate rapidly growing demand from the oil and gas industry.” The Commission directed the Electric Reliability Council of Texas to compile the plan as provided by legislation in the 2023 session and calls from oil and gas majors noting “a significant increase in electric load demand in the Permian basin in the coming years.” [Read more](#). PUCT Commissioner Lori Cobos said, “The Permian Basin is the heartbeat of our state and nation’s energy dominance and economy. This plan is a roadmap that will ensure electric reliability in the region for decades to come and facilitate critical transmission infrastructure investment that will ensure the continued success of Texas’ oil and gas industry and support the region’s local communities and our entire state.” [Read more](#).

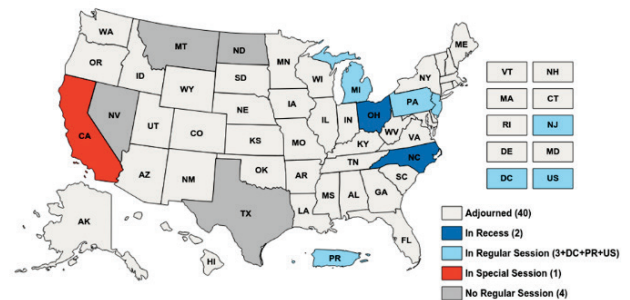
INDUSTRY NEWS FLASH

► Governors form coalition supporting energy production and opposing renewable mandates.

On September 19, a coalition of ten state Republican governors announced the formation of the Governors Coalition for Energy Choice. The group is “aimed at reducing regulations around energy production and opposing renewable energy mandates.” In a statement, the group said that the coalition aims to “ensure continued energy choice, minimize permitting and other regulatory barriers, limit expensive energy mandates, focus on affordability and reliability of energy infrastructure, and coordinate to positively manage energy resources and the environment.” [Read more](#).

LEGISLATIVE SESSION OVERVIEW

States in Session



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

Ohio is in recess until November 13.

North Carolina passed an [adjournment resolution](#) that calls for the regular session to reconvene periodically through December. The legislature adjourned a session on September 11 and plans to reconvene on October 9.

California Democratic Gov. Gavin Newsom [called](#) the legislature into a special session immediately following its adjournment on August 31. According to the [Associated Press](#), Governor Newsom called the

session to debate measures that would reduce gas prices. Californians pay the highest gas prices in the country and Newsom said the special session is necessary to “prevent price spikes next year and beyond.”

West Virginia Republican Gov. Jim Justice announced a special session that will start on September 30. According to [WBOY-12](#), the special session will focus on tax cuts, childcare support and supplemental fund appropriation. Governor Justice said, “I promised you that I would stand up and fight like crazy for you in trying to get another 5 percent tax cut for you. I promised you I would try to help out with childcare, and, absolutely, try to get our tax break across the finish line with childcare.” Lawmakers plan to provide a five percent income tax cut and create subsidies for childcare costs.

Signing Deadlines (by date): **California** Democratic Gov. Gavin Newsom has until September 30 to act on legislation or it becomes law without signature. **Alaska** Republican Gov. Mike Dunleavy has 20 days from presentment, excluding Sundays, to act on legislation or it becomes law without signature. **Illinois** Democratic Gov. J.B. Pritzker has 60 days from presentment to act on legislation or it becomes law without signature.

The following states are currently holding interim committee hearings or studies: [Alabama](#), [Alaska](#), [Arizona](#), [Arkansas](#), [California House](#) and [Senate](#), [Colorado](#), [Connecticut](#), [Georgia](#), [Idaho](#), [Illinois House](#) and [Senate](#), [Indiana](#), [Kansas](#), [Kentucky](#), [Louisiana](#), [Maryland](#), [Minnesota](#), [Mississippi House](#) and [Senate](#), [Montana](#), [Nebraska](#), [Nevada](#), [New Mexico](#), [New York Assembly](#), [North Dakota](#), [Oklahoma House](#) and [Senate](#), [Oregon](#), [Rhode Island](#), [South Carolina](#), [South Dakota](#), [Tennessee](#), [Texas House](#), [Utah](#), [Virginia](#), [Washington](#), [West Virginia](#) and [Wyoming](#).

The following states are currently posting 2024 bill drafts, pre-files and interim studies: [Alabama](#), [Florida](#), [Iowa](#), [Nebraska](#), [Nevada](#), [North Dakota](#), [Montana](#), [Oklahoma House](#) and [Senate](#) and [Utah](#). ■

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