

WEEKLY HIGHLIGHTS AT-A-GLANCE**FEDERAL – Regulatory**

- **BLM Lease Sale – Nevada.** On June 14, the Bureau of Land Management (BLM) is holding a competitive oil and gas lease sale at the Siena Hotel Spa and Casino in Reno. The sale includes 74,701 acres in the Battle Mountain District, which includes the Tonopah and Mt. Lewis Field Offices. No announcement yet whether Keep it in the Ground protesters are expected to interrupt this auction. [Read more.](#)
- **EPA Methane Rules – Texas.** On June 7, all three Texas Railroad Commissioners asked the Texas Attorney General to file a Petition for Review relating to the Environmental Protection Agency's rules over methane and other emissions from oil and gas wells and associated facilities. Chairman David Porter said, "These rules are just another assault from the Obama Administration in its war against fossil fuels and a blatant attempt to forcibly take over the regulation of Texas' oil and gas industry, a job the Railroad Commission has excelled at for almost a century." [Read more.](#)
- **BLM/Forest Service Leasing Plans – Wyoming.** In April, the U.S. Forest Service released a [Draft Supplemental Environmental Impact Statement](#) (EIS) for oil and gas leasing in the Bridger Teton National Forest after years of delays and challenges to the 30 parcels on approximately 35,000 acres. In 2011, after additional environmental review, the Forest Service decided that the leases should not have been offered for sale in the first place. After public comments identified significant flaws in the new analysis, the Service withdrew its decision. Now, five years later, the Forest Service has released yet another supplemental environmental review and proposes to cancel the existing leases. The Forest Service's preferred alternative would withdraw consent to lease the parcels sold at auction over 10 years ago. The plan, however, raises unanswered questions about how to compensate the oil and gas lessees who originally purchased the leases in 2005 and 2006, subjecting the issue to future legal challenges. [Read more.](#)
- **Royalties; Indian Lands.** On June 8, the Department of Interior's Office of Natural Resources Revenue published a notice in the Federal Register ([81 FR 36954](#)) of major portion prices and the due date for additional royalty payments on Indian gas production in areas not associated with an Index Zone. The gas valuation regulations apply to all gas production from Indian (Tribal or allotted) oil and gas leases, except leases on the Osage Indian Reservation. The due date to pay additional royalties based on the major portion prices is August 8, 2016. [Read more.](#)

FEDERAL – Judicial

- **Leasing; Recordation – Pennsylvania.** On May 20, a federal court in Pennsylvania, in [*Montrose Hillbillies II, LP v. WPX Energy Keystone, LLP*](#) (Case No. 14-2264), held that a lessor group can't nix an oil and gas lease to which it succeeded when it acquired the property, rejecting claims that the lease expired for the lessee's failure to record the actual lease or for incorrectly tendering an extension payment to the prior owner of the property. The Third Circuit Court concluded that Pennsylvania's recording statute authorizes lessees to record a memorandum rather than the lease itself such that the plaintiffs were on notice of the pre-existing lease. [Read more.](#)

STATE – Legislative

- **Drilling Permits – Louisiana.** (Update to 6/6/16 Weekly Report) On June 6, HB 632, a bill relating to financial security needed for oil and gas drilling activities, was transmitted to Governor John Bel Edwards for executive approval. The measure states that an applicant for permit would have to provide financial security for a permit to drill within 30 days of the completion date, or from the date the operator is notified that the financial security is required. The financial security amount is contingent upon the type and depth of well. Financial security is not be required for the following wells: (1) any well declared to be orphaned by the commissioner and subsequently 8 transferred to another operator; or (2) any well to be drilled by an operator who has an agreement with the office of conservation to plug a well that has been declared to be orphaned by the commissioner and that orphaned well is similar to the proposed well in terms of depth and location. During a regular session, the governor must sign or veto legislation within 10 days of transmittal, or it becomes law without signature. But legislation transmitted with less than 10 days remaining in session, such as this bill, must be acted upon by governor within 20 days of transmittal, or it becomes law without signature. [Read more.](#)
- **Surface Owners; Orphaned Sites – Louisiana.** SB 165 was signed into law by Governor John Bel Edwards on June 1, and will be effective August 1, 2016. The measure requires that an operator identify the surface owner of lands on which a well site is located no later than 30 days after the issue of an amended permit to transfer a well to another operator. The Act also provides that the Department of Natural Resources will notify the surface owner when a site is declared orphaned. [Read more.](#)
- **Independent Contractors – North Carolina.** On May 10, H 1069 was introduced by multiple sponsors and referred to the Committee on Regulatory Reform. The bill will provide a statutory definition of an independent contractor, although not specifically noting landmen. [Read more.](#)

- **Tax Exemptions; Economically At-Risk Leases – Oklahoma.** (Update to 5/9/16 Weekly Report) On June 6, SB 1577 was signed into law by Governor Mary Fallin. The measure amends existing law to provide that gross production tax exemptions claimed would be limited to production from calendar year 2014, provides a definition of an “economically at-risk oil or gas lease”, and sets formulas for tax determinations. [Read more.](#)
- **Severance Tax – Utah.** The Utah legislature recently codified the rule established in the 2015 case, *Anadarko Petroleum Corporation v. Utah State Tax Comm’n* (2015 UT 25), whereby the Utah Supreme Court held that an oil and gas operator may exclude federal, state, and tribal interests when calculating its severance tax rate. [SB 17](#), signed into law by Governor Gary Herbert on March 28, 2016, confirms that the severance tax on oil and gas does not apply to federal, state, or tribal interests in oil and gas. As such, for purposes of determining the amount of severance tax, these exempt interests should be excluded when calculating the value of oil and gas and the tax rate. The measure applies to a taxable year beginning on or after January 1, 2015, as well as to severance taxes “for any taxable year, including a taxable year beginning before January 1, 2015, that is the subject of an appeal that was filed or pending on or after January 1, 2016.” [Read more.](#)
- **Abandoned Wells – West Virginia.** On June 7, HB 117x, a bill introduced by House Speaker Tim Armstead (R) on June 1, was sent to Governor Earl Ray Tomblin for signature after passing both legislative chambers. The bill repeals a [1993 legislative rule](#) authorizing certain rulemaking authority by the state’s Department of Environmental Protection relating to abandoned wells. Under West Virginia law, since the legislative session has ended, the Governor has 15 days to act on the bill. If he does not act within that period, the bill automatically becomes law. [Read more.](#)

STATE – Judicial

- **Surface Rights – Texas.** In a case of first impression regarding surface estates, in the water rights context, the Texas Supreme Court, on May 27, in [Coyote Lake Ranch, LLC v. Lubbock](#) (Case No. 14-0572) held that the accommodation doctrine applies to disputes between surface owners and owners of severed water rights. [Read more.](#)
- **Life Tenancy; Probated Estate – Utah.** The Utah Court of Appeals in, *In re Estate of Womack* (2016 UT App 83), cited the open mines doctrine and concluded that the remaindermen of a contested will were entitled to the proceeds of production rather than the life tenants because the will did not specify otherwise. The Court found that the prior estate closing order had already construed the will as creating life estates in mineral rights, and “[i]f estates in mineral rights, by default, do not encompass a right to any proceeds from new mineral extraction.” [Read more.](#)

INDUSTRY NEWS FLASH:

◆ According to the *Houston Chronicle*, the long financial drought that has deeply bruised oil and gas companies may be nearing an end. As oil prices hover near \$50 a barrel, record oil company spending cuts the past two years could give way to a slight boost in investments over the next six months, and nearly three quarters of drillers now plan to pour more cash into oil and gas fields in 2017, according to a new survey of oil companies by investment bank Evercore ISI. A third of the companies planning to boost spending next year expect to increase their budgets by more than 25 percent. [Read more.](#)

State-by-State Legislative Session Overview

Please note: AAPL's bill tracking and legislative reporting service does not produce a State-by-State Legislative Session Overview during this week. This section will return in the next Weekly Report.

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