



Natural Gas and Oil Legislative Review

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Agenda:

- Wyoming Status Update
- The 66th WY Legislature in General Session
 - What passed and what didn't
 - What is upcoming in the 2021 interim
- Federal lands issues


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Current Status

7 rigs this week

-- 3 Campbell, 2 Converse, 1 Laramie, 1 Sublette

-- Oil production down 19%

-- Gas production down 11%



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Energy Rebound Program

\$30 million for qualified oil and gas projects

- Approximately \$29 million expended for 288 projects using 140 contractors

- Potential for ERP II from ARP funds



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66th WY Legislature in General Session

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Possible changes:

- ~~Backdoor “market rate” analysis on SUAs~~
- ~~State lands royalties~~
- ~~Opening non-disclosure status~~
- ~~Expansion of Split Estate Act~~

Scoreboard

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- Repealed the long-term rollout of transitioning to monthly payments.
- Monthly payments begin in March of 2022
- Back payments begin in December of 2023
 - 8% of 1.5 years of Ad valorem
- **Implementation Challenges**
 - Estimated mill levies and the true up
 - Back payment valuation
 - Mergers, acquisitions, bankruptcy
 - County budgeting



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- Creates a rebuttable presumption against early closure of coal and natural gas facilities.
- Rebuttal must provide sufficient evidence of cost savings, no impact on dispatchability and reliability
- Rates cannot cost recover for switching away from coal and/or natural gas if presumption is not rebutted.
- **Implementation Challenges**
 - Criteria
 - Damned if you do...damned if you don't


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- Extends the deadline for previously approved CARES Act programs to December 30, 2021
- Authorizes the Governor to create new programs for ARP
- Implementation Challenges
 - Agencies in charge determine “best interest of the state”
 - Reverted dollars not necessarily tied to previous programs
 - Creation of an ERP II


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SF118 – Federal emergency COVID-19 relief funding




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- Creates an explicit severance tax exemption for on-site sale or consumption of natural gas used for any purpose not already enumerated by statute.
- 39-14-205 (j) – “maintaining, stimulating, treating, transporting or producing crude oil or natural gas on the same lease or unit from which it was produced has no value and is exempt from taxation.”
- 39-14-205 (p) – “Natural gas that is consumed on the site and would have otherwise been vented or flared under the authority of the Wyoming oil and gas conservation commission has no value and is exempt from taxation as long as the natural gas is certified by the Wyoming oil and gas conservation commission as to have originated from a qualifying well.”


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HB189 – Mine product taxes for natural gas consumed on-site




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- Tax exemptions or reductions that failed:
 - HB11 (severance), HB145 (stripper well), HB146 (depreciation), SF61 (amortization), SF149 (fed royalty offset)
- Tax increases that failed:
 - HB26 (fuel), HB37 (RUC), HB168 (services), HB173 et. al. (schools), HB200 (exemption repeals), HB211 (property), HB224 (severance), SF4 (airports)
- Tax exemptions or reductions that passed
 - HB189
- Tax or revenue increases that passed:
 - HB30 (PSC), SF60 (monthly ad val), HB49 (agency fees)

Other tax/revenue related bills



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Interim Look

Joint Revenue:


- Continued look at tax “reform”
- Potential to carve out personal property depreciation


Joint Minerals:

- Carbon offsets
- Electricity Reliability
- WEA Bonding

Select Water and Select FNRM

- Produced water and liability
- Biden Administration actions and response





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Federal Issues

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

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Biden Administration (Interior)

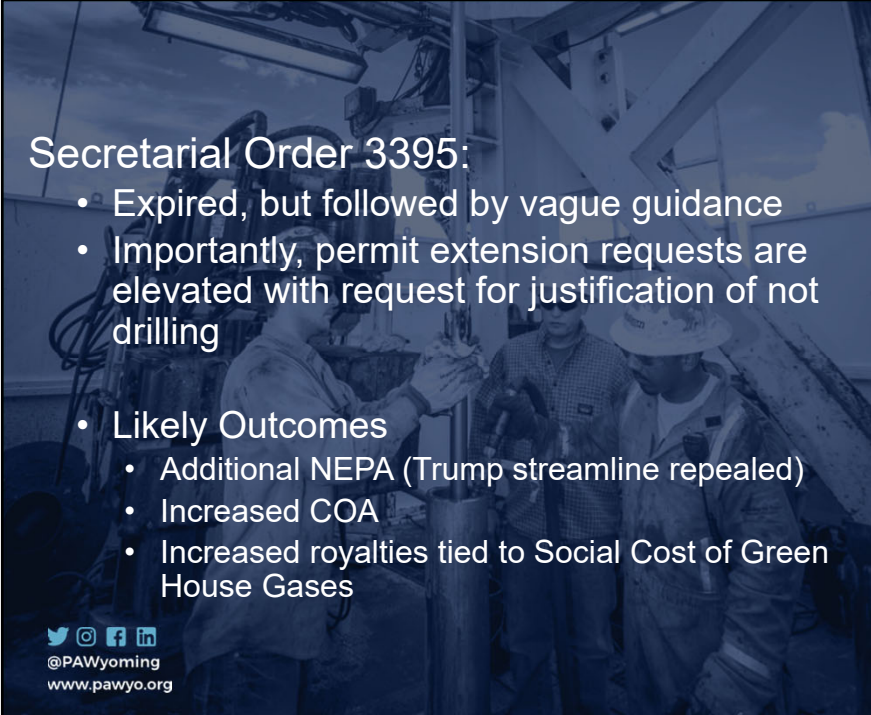
Executive Order 14008:

- Pauses leases under DOI “discretion” during review.
- WEA/PAW, State of Wyoming, 14 other States filed suit
- Likely Outcomes
 - Increased minimum bids, potential for end to non-competitive bids
 - Increased royalties tied to Social Cost of Green House Gases (Socio-economic offset)

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Secretarial Order 3395:

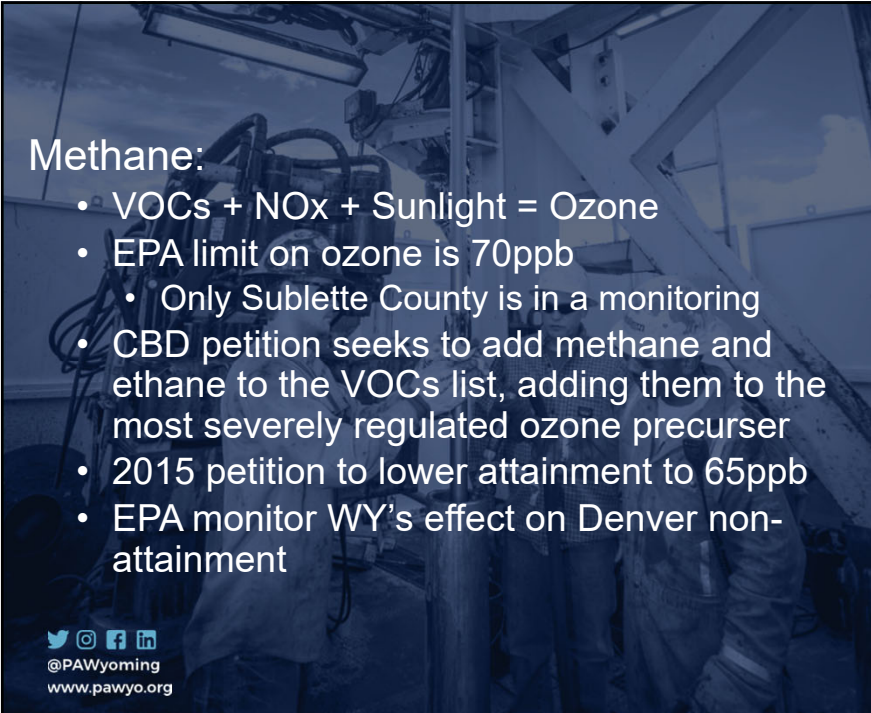
- Expired, but followed by vague guidance
- Importantly, permit extension requests are elevated with request for justification of not drilling
- Likely Outcomes
 - Additional NEPA (Trump streamline repealed)
 - Increased COA
 - Increased royalties tied to Social Cost of Green House Gases


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Biden Administration (Interior)


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Methane:

- VOCs + NO_x + Sunlight = Ozone
- EPA limit on ozone is 70ppb
 - Only Sublette County is in a monitoring
- CBD petition seeks to add methane and ethane to the VOCs list, adding them to the most severely regulated ozone precursor
- 2015 petition to lower attainment to 65ppb
- EPA monitor WY's effect on Denver non-attainment


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Biden Administration (EPA)

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THANK YOU



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