






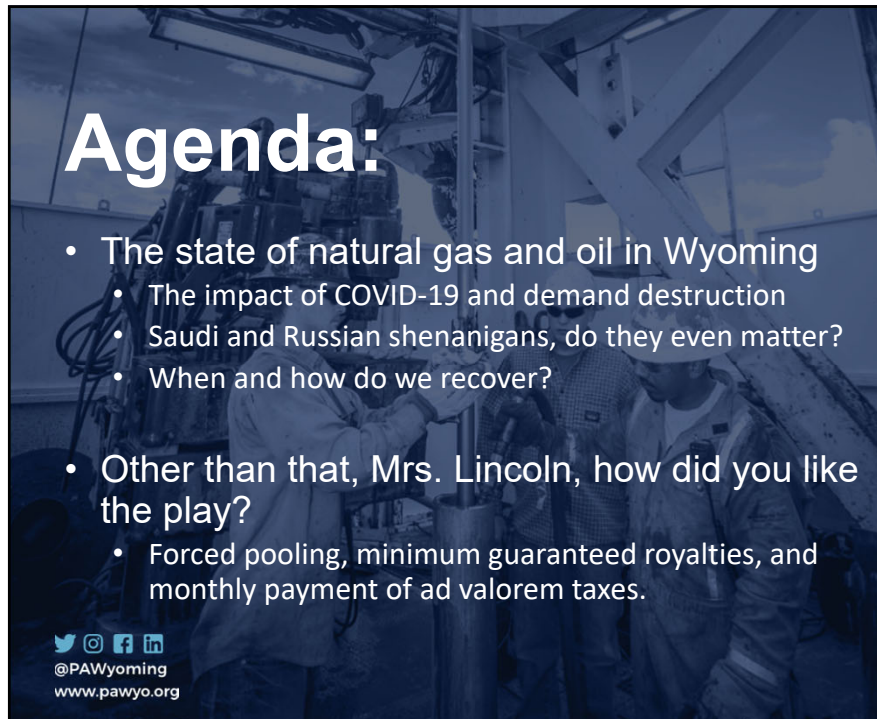
Natural Gas and Oil Update

Pete Obermueller
Petroleum Association of Wyoming
April 29, 2020





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Agenda:

- The state of natural gas and oil in Wyoming
 - The impact of COVID-19 and demand destruction
 - Saudi and Russian shenanigans, do they even matter?
 - When and how do we recover?
- Other than that, Mrs. Lincoln, how did you like the play?
 - Forced pooling, minimum guaranteed royalties, and monthly payment of ad valorem taxes.

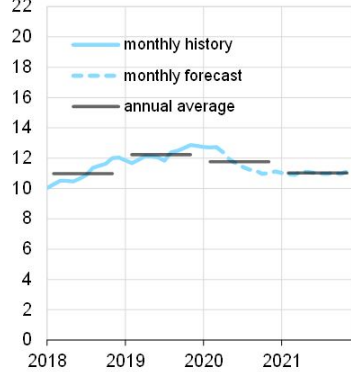




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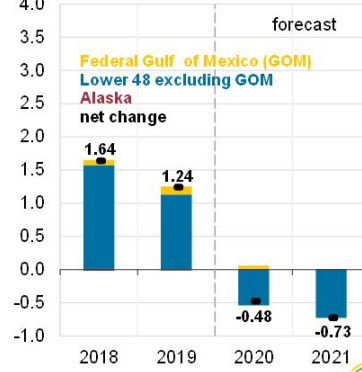
COVID-19 Demand Destruction

U.S. crude oil production
million barrels per day



Source: Short-Term Energy Outlook, April 2020

Components of annual change
million barrels per day



eia

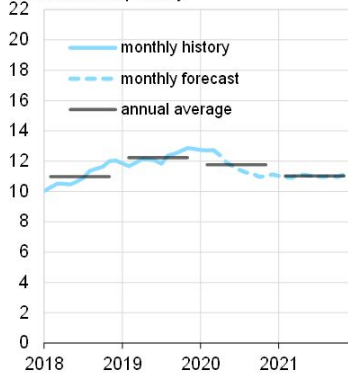
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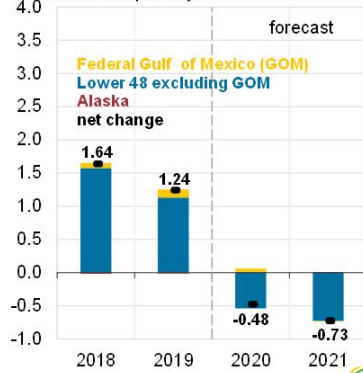
COVID-19 Demand Destruction

U.S. crude oil production
million barrels per day



Source: Short-Term Energy Outlook, April 2020

Components of annual change
million barrels per day



eia

- Average global oil demand ~ 100 million barrels a day
- International Energy Agency projects a demand decline of ~ 29 million barrels a day

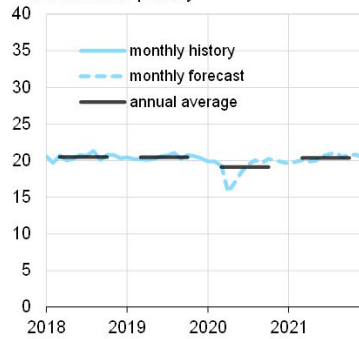
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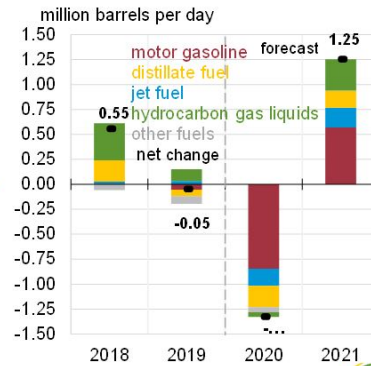
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COVID-19 Demand Destruction

U.S. liquid fuels product supplied
(consumption)
million barrels per day



Components of annual change



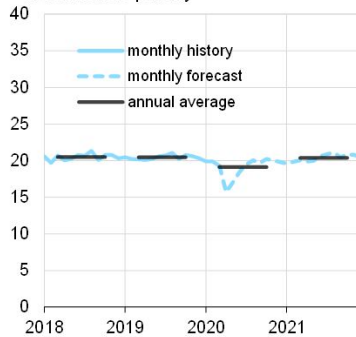
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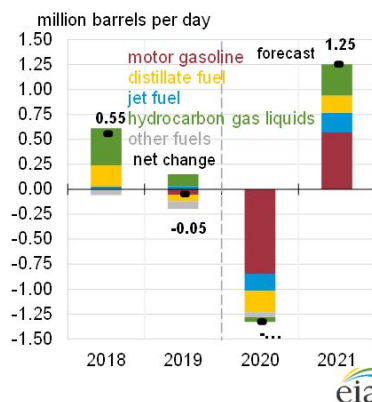
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COVID-19 Demand Destruction

U.S. liquid fuels product supplied
(consumption)
million barrels per day



Components of annual change



- V Shaped recovery?
- U.S. reverts to a net crude oil importer

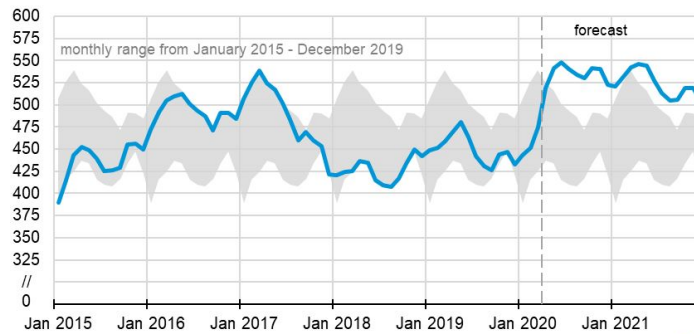
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Global Over Supply

U.S. commercial crude oil inventories
million barrels



Source: Short-Term Energy Outlook, April 2020

eia





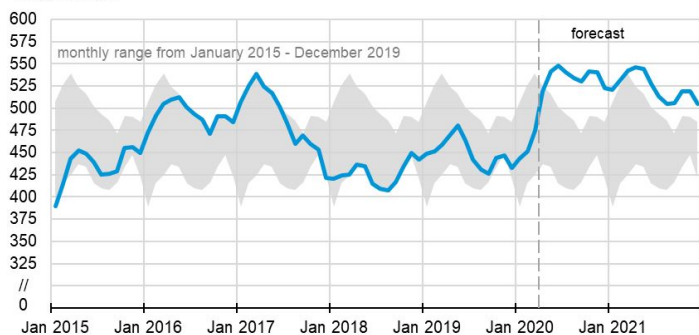
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Global Over Supply

U.S. commercial crude oil inventories
million barrels



Source: Short-Term Energy Outlook, April 2020

eia

- Average global oil demand ~ 100 million barrels a day
- International Energy Agency projects a demand decline of ~ 29 million barrels a day
- OPEC+ deal "cut" 10 million barrels.





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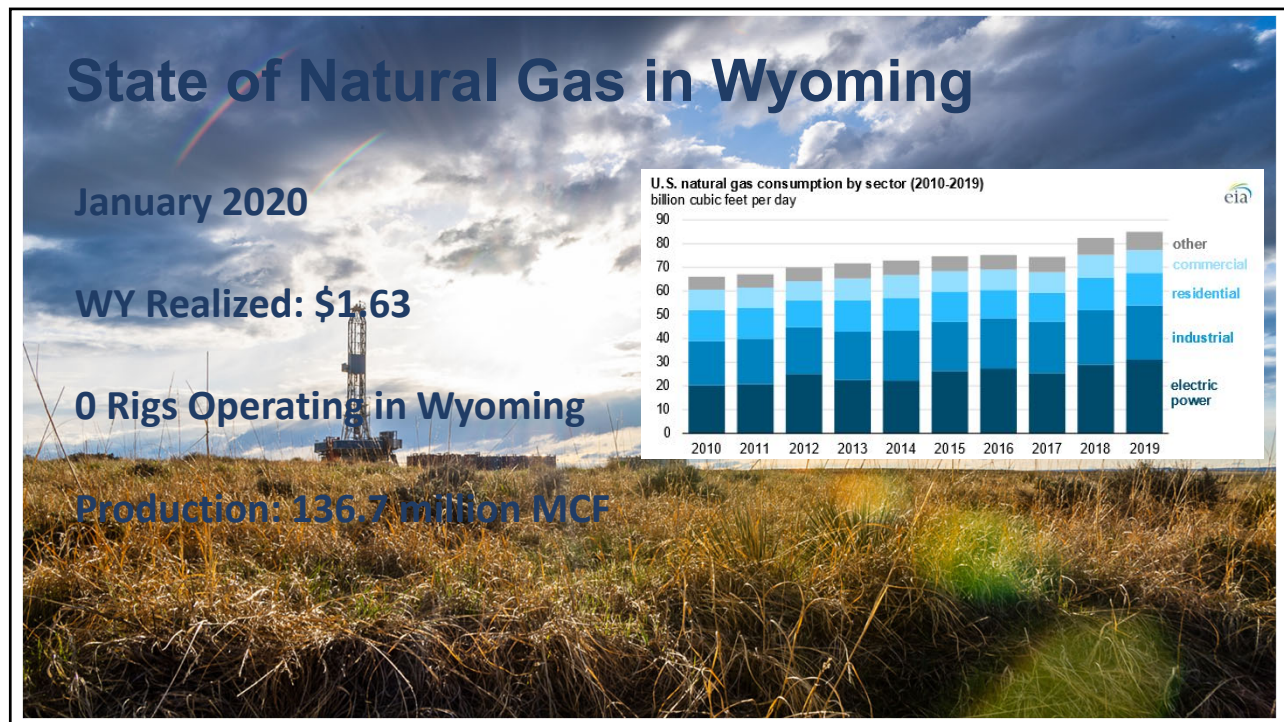
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What is industry doing to respond?

- **State Agencies**
 - WOGCC
 - OSLI
 - WDEQ
 - Dept. of Revenue
 - Dept. of Audit
- **Federal Agencies**
 - Interior
 - EPA
 - Treasury
 - State Department





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Major Components:

- Non-consenting unleased mineral owners protected in 2 ways:
 - Reduced risk premium for non-consent
 - 200% on first well, 150% on subsequent wells
 - Statutory royalty during risk premium phase
 - Highest of 16% or acreage weight average
 - Must make an eyes-open election at the end of the risk premium
- Establishes a 1-year timeline for pooling orders

House Bill 14

Drilling units-risk penalties and mandatory royalties.

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Major Components:

- Establishes a 7-year process for operators to switch from twice yearly payments of ad valorem to monthly payments.
- Final bill accelerates tax collection by 8 months, counties sought 16 months.


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House Bill 59

Monthly Payment of Ad Valorem



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New Ad Valorem Timeline

		January	February	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total paid for calendar year	Total paid for production tax year
Production Year	Tax Year														
	2019					50%						25%	25%	100%	100%
	2020				16.66%	16.66%	16.66%			16.66%	16.66%	16.66%		100%	100%
	2021			12.50%	12.50%	12.50%	12.50%		12.50%	12.50%	12.50%	12.50%		100%	100%
	2022		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	8.33%	108%	100%
	2023	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	16.66%	8.33%	108%	100%
	2024	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	16.66%	8.33%	108%	100%
	2025	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	16.66%	8.33%	108%	100%
Legislative Trigger Year	2026	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	16.66%	8.33%	108%	100%
	2027	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	100%	100%
	2028	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	100%	100%
	2029	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	100%	100%
	2030	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%		
	2031	8.33%	8.33%												

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Major Components:

- Establishes a 7-year process for operators to switch from twice yearly payments of ad valorem to monthly payments.
- Final bill accelerates tax collection by 8 months, counties sought 16 months.
- BUT WAIT! The free-for-all-sky's-the-limit-amendment


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House Bill 59

Monthly Payment of Ad Valorem



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Major Components:

- Corrects and clarifies the 2019 strained attempt at fixing the tax lien exemption for minerals
 - Establishes counties as a super priority, perpetual lien, regardless of owner or producer
- Separates lien priority into pre-January 2021 and post-January 2021


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Senate File 139

Tax Lien Enforcement



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House Bill 243

Oil and Gas Tax, New Production



Major Components:

- Reduces the severance tax rate on oil and natural gas on new wells only IF:
 - 12-month rolling average price of natural gas is below \$2.95
 - 12-month rolling average price of oil is below \$50
- Severance reduced to 4% for 6 months and 5% for six months.
- Could be a vehicle for actual natural gas and oil relief



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THANK YOU



Petroleum Association of Wyoming
951 Werner Court, Suite 100 Casper, WY 82601-1351
(307) 234.5333 | FAX: 307.266.2189

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