

Message

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Sent: 18/06/2018 15:16:46
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Subject: L48 Bi-Weekly Update - June 15, 2018
Attachments: EPA_Wehrum_followup_-_FINAL.PDF; 416-fire-Durango.jpg; Kingfisher County. DA letter.jpg; BP L48 Press Release_6 6 18.pdf

QUICK NOTES:

- GPA and legal staff successfully supported West BU efforts to modify Stage III Fire Restrictions in La Plata County to maintain operations at the Florida and Bayfield gas processing plants.
- Republican Walker Stapleton and Democrat Jared Polis sit atop the early primary exit polls, but many voters remain undecided. Notably, the Sierra Club contributed \$600,000 to the Polis campaign to support television ads and digital media.
- The Colorado Oil and Gas Conservation Commission (COGCC) has agreed to hear a petition from the League of Oil and Gas Impacted Coloradans (LOGIC) to enhance school setbacks at its July 30 meeting. We have met with COGCC Director Julie Murphy and confirmed that, while the commission agreed to accept the petition for discussion in July, a formal vote on the matter is unlikely.
- U.S. Rep. Michelle Lujan Grisham easily won her democratic primary in New Mexico.
- OKOGA hosted a Republican Governor's Forum for the June 26th primary in Oklahoma City. The forum focused on oil/gas issues and economic challenges in the state. It was a very engaging forum and our employees shared after it was worth their time and enjoyed meeting the candidates. In attendance where Todd Lamb, Mick Cornett, Kevin Stitt and Gary Jones.
- The debate around induced seismicity in Oklahoma has a new wrinkle, as information collected through a study involving magnetic measurements taken by a specially-equipped aircraft to identify potential faults revealed numerous potential deep faults that previously hadn't been mapped. Meanwhile, Oklahoma is experiencing fewer seismic events in 2018.

Redacted - First Amendment

- BP L48 NBU Announces Winners of Energy Scholarship & Twitter Post (see attached press release).

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LOWER 48 STATE AFFAIRS: KEY ENGAGEMENTS FROM REPORT PERIOD (All States)

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- June 4: APCD Hydrocarbon Task Force Stakeholder Meeting (Denver, CO)

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- June 5: New Mexico Primary Election Day
Redacted - First Amendment
- June 6: NSCD Exceeding Boundaries Breakfast (BPA Sponsored) (Denver, CO)
Redacted - First Amendment
- June 8: NMOGA Methane Work Group (Conference Call)
Redacted - First Amendment
- June 11: Western Energy Alliance Golf Tournament (BP L48 Sponsored) (Parker, CO)

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LOWER 48 STATE AFFAIRS: BUSINESS INTELLIGENCE/KEY HIGHLIGHTS FROM REPORT PERIOD (All States)

Colorado

- **2018 Ballot Measures:** In Colorado, citizen-initiated measures can amend both statute and the state's constitution. Since 2014, environmental grassroots organizations have initiated measures that would dramatically impact Lower 48 operations in Colorado, effectively serving as de facto moratoria. These measures primarily focus on setbacks and local control. The most troubling measure this election cycle is Initiative #97, a statutory amendment that would place a minimum setback of 2,500 feet on all new oil and gas wells and facilities. The setback would apply to occupied structures, including homes, schools and hospitals, and also apply to "vulnerable areas," which the initiative defines as including "playgrounds, permanent sports fields, amphitheaters, public parks, public open space, public and community drinking sources, irrigation canals, reservoirs, lakes, rivers, perennial or intermittent streams, and creeks." Initiative #97 would also allow local governments to impose longer setbacks than the statutory default minimum.

The operating community, through Protect Colorado, have raised \$8.4 million to date. Anadarko, the state's largest company, contributed more than \$2 million. Noble Energy and Extraction Oil and Gas together contributed another \$4 million in May. The political committee Colorado Rising for Health and Safety, which backs Initiative 97, has raised only \$180,000. Tricia Olson, who runs the group, has contributed \$35,075 of her own money. Food and Water Watch, an organization long opposed to drilling and hydraulic fracturing, is their largest donor, with \$40,000 in contributions so far.

In addition to defending against anti-industry measures, Protect Colorado is also helping fund two pro-industry initiatives, which strengthen property owner rights and would force the state to compensate companies and property owners if new regulations diminish the value of their land or keep them from being able to use their mineral rights.

- **Permitting in CO Substantially Increases Likely in Response to Political Climate:** Companies are applying for new permits to drill at a nearly unprecedented rate, a surge pushed by high oil prices, industry consolidation and worry that the political climate in 2019 could severely hamper development. Companies submitted 823 applications for new wells in May, a number that's only been topped twice in the past decade. The one-month record for permits totaled 1,476 drilling applications in March, 2009, the month before Colorado added new wildlife and environmental requirements to the permitting process. The only other time applications exceeded May's total was in July 2013, just before new setback rules were enacted. Overall, drilling permit application numbers have been elevated since last fall with no sign of slowing, leading to a growing backlog of thousands of applications for review. Industry is meeting with the COGCC later this month to discuss ways to relieve the current backlog of permits.

- **The Colorado Petroleum Council (CPC) Releases Updated Economic Impact Figures:** CPC, a division of the American Petroleum Institute, released a [report](#) about the role that the natural gas and oil industry plays in the state. The report reviews the essential role the industry plays in supporting Colorado's high quality of life, including contributing to educational funds, supporting the expansion of available medical facilities, and lowering emissions. Key points from the study include:

- Supporting over 232,900 jobs;
- Contributing \$1.2 billion in public revenue (2014);
- The most comprehensive natural gas and oil regulations in the country;
- Quadrupled production of crude oil from 2006 to 2016 due to innovations in directional drilling and hydraulic fracturing;
- Provided \$434.7 million in property tax to counties, cities, and school districts, over half of which went directly to schools.

- **Updated La Plata County 416 Fire Information:**

- Stage 3 fire restrictions in the San Juan National Forest and La Plata County were put in place last Tuesday.
- As of last night the fire was at roughly 32,000 acres and was 15 percent contained.
- Though the fire has gotten close to several residences, no structures have been damaged.
- Currently, 1,056 firefighters, eight helicopters and several airplanes are battling the wildfire.
- The cost of battling the blaze has crossed the \$10MM threshold.
- Gov. John Hickenlooper, Sens. Michael Bennet and Cory Gardner and Rep. Scott Tipton will visit Durango on Friday to meet with officials coordinating firefighting efforts and hear from members of the community

New Mexico

- **U.S. Rep. Michelle Lujan Grisham Trounces Opponents in Democratic Primary for Governor, Sets Stage for Clash with GOP U.S. Rep. Steve Pearce:** U.S. Rep. Michelle Lujan Grisham of Albuquerque won a three-way primary for the Democratic nomination for Governor on June 5 with 66.38% of the 176,000 votes cast in the race. Demonstrating the strength of her campaign's field and grassroots operation heading into the general election, the final results outperformed Lujan Grisham's poll positions in recent public and private surveys by roughly 9%-15%. Lujan Grisham's nearest primary competitor, former Univision CEO Jeff Apodaca, received only 22.15% of the vote. Lujan Grisham will now face U.S. Rep. Steve Pearce of Hobbs in the general election; Pearce ran unopposed in the Republican primary. State Senator Howie Morales of Silver City won the Democratic nomination for Lieutenant Governor, and will now run on a joint ticket with Lujan Grisham. The current Republican Governor, Susana Martinez, is term-limited after serving for eight years in office. The general election contest between Lujan Grisham and Pearce will mark what is believed to be the first time two sitting members of Congress have run against each other for governor in state history.

- **Progressive and Conservation Voters-Backed Candidates Rack Up Major Wins in Down-Ballot Democratic Primary Races:** Moderate and pro-business candidates were largely kicked to the curb in the Democratic primary in New Mexico on June 5, with most races favoring candidates from the progressive and environmentalist wing of the party. The most anti-oil and gas industry candidate in the Democratic primary for State Land Commissioner – State Representative Stephanie Garcia Richard – won the party's nomination in a

three-way race with 39.48% of the 166,000 votes cast in the race. Garcia Richard was endorsed by Frack Free Four Corners, among other environmental groups, and ran on a platform of banning fracking "in fragile aquifers" on state trust lands, increasing royalty rates for future leases on state trust lands and transitioning activity on state land away from oil and gas and in favor of renewable energy. Progressive candidate Deb Haaland, a former New Mexico Democratic Party chairwoman who would be the first Native American woman ever elected to Congress, won a hard-fought Democratic primary election in the state's First Congressional District (Albuquerque metro area). Big election night upsets occurred on the Public Regulation Commission (PRC) in District 5 in southwestern New Mexico, where incumbent Sandy Jones lost his bid for re-election to Democratic primary opponent Steve Fischmann, and in District 4 in northwestern New Mexico, where incumbent Lynda Lovejoy lost to Theresa Becenti-Aguilar. The PRC is the body that regulates public utility commissions, and the state's largest utility – PNM Resources – invested \$440,000 in independent expenditure campaigns on behalf of re-electing Jones and Lovejoy, but with little impact in their favor.

- **New Mexico Oil Boom Boosts State Revenue Forecasts:** During a recent field hearing in Carlsbad on June 4-6, members of the interim Legislative Finance Committee received a report from one of their in-house economists, Dawn Iglesias, on the net positive impacts of the oil and natural gas industry on New Mexico's state revenue outlook for FY 2018. Revenue strength continues to be due primarily to gross receipts taxes (GRT) and energy revenues from oil and gas withholding, production taxes, and rents and royalties. Recurring revenue collection for FY18 through March was \$4.6 billion, up \$582.1 million, or 14.5 percent, from the same period a year ago. Surging oil production and associated increases in natural gas production continue to drive up energy-related revenues. Per-day oil production is up almost 33 percent year-over-year, and per-day natural gas production is up nearly 5 percent. In turn, mineral production taxes from the oil and gas industry are up \$76.5 million, or 30 percent, through March from this time last year. Rents and royalties from the oil and gas industry are up \$118.3 million above last year. Combined, these energy revenue sources are up over \$194.8 million fiscal year-to-date, or 33.3 percent.

Oklahoma

- **Oklahoma Political Update:** The June 26th primary could have many incumbents losing or heading to a run-off. The most high profile incumbent in trouble is AG Mike Hunter. RAGA recently had an \$400,000 independent expenditure media buy with an ad featuring JC Watts in support of AG Hunter. Hunter is being attacked for working as a DC lobbyist by his opponent Gentner Drummond who is self-financing his election. BP supports AG Hunter for his understanding and consideration of fairness of the oil and gas industry in Oklahoma.
- **Forced Pooling Legislation on the Horizon for 2019:** The Oklahoma Energy Producers Alliance (OEPA) are planning to ask the legislature in 2019 to change forced pooling laws and give vertical producers "protections" via legislative policy. While many of the members of OKOGA are not donating to elected officials members of OEPA are bundling donations \$7k to \$10 per member. They are taking a very aggressive approach to their political activity since "the big guys are sitting on the sidelines."
- **Kingfisher County Temporarily Produced Water Line Update:** Kingfisher County Commissioners voted to ban the temporary waterlines. The Commissioners did have an action item to repeal the ban but laid the measure over. The Kingfisher County DA (see attached letter) stated the ban is unreasonable and OKOGA is meeting with AG Hunter next week to discuss how to address the situation. The Commissioners are in a difficult position with elections coming up and property owners concerns. Below is the OKOGA Legal Committee's official statement/action item for OKOGA Board consideration. "If litigation is pursued, have OKOGA pursue a writ of mandamus with the Oklahoma Supreme Court. If not the Oklahoma Supreme Court, then the preferable district court where OKOGA would have a cause of action with the focus on defending Title 52 Section 137.1. Further, if litigation is pursued that the Board ensure that there is adequate funding for said litigation as well as that the Board would form and select a litigation coordination council to inform the Board on issues related to said litigation." Separate from the water lines but important none the less, Kingfisher Co. residents are meeting with state agencies over ground water concerns.

Texas

- **TXOGA:** The Water Recycling Workgroup met to discuss a legislative proposal relating to a produced water discharge incentive. The group heard a presentation on the proposal and discussed it as well as other issues relating to produced water including the handling of the solids left after treatment. Ultimately, the group decided not to move forward with the incentive proposal but to go two other directions including: 1) having the Exploration and Production Law Committee discuss the issue of produced water ownership; and 2) having the Water Committee discuss the produced water permitting process at the upcoming (June 19, 10am at TXOGA) meeting with the Environmental Protection Agency on produced water.

Wyoming

- **Sage Grouse Population:** Spring 2018 saw the number of strutting sage grouse males decrease by nearly 21% compared to the same time period for 2017. This news did not come as a surprise, as Game Managers witnessed fall hunting harvest was down too. The decline marks the second year in a row which numbers have declined.
- **BP RM Casper:** BP will close a half-mile section of the recreational trail on the south side of the North Platte River for construction beginning this month, according to a news release from the company and the Amoco Reuse Agreement Joint Powers Board. The trail will reopen in the fall with a temporary gravel surface, and will be repaved next spring. Meanwhile, BP has a map showing a detour around the closed portion of the trail. BP will install a secondary subsurface barrier wall between the river and the former Amoco refinery property, now known as the Platte River Commons. The barrier, called a slurry wall, will give the river additional protection against potential migration of remaining hydrocarbons from the former refinery site.
- **Wyoming Land & Water Conservation Fund:** U.S. Secretary of the Interior Ryan Zinke has announced that \$542,728 in revenues available through the Gulf of Mexico Energy Security Act (GOMESA) will be distributed to Wyoming for Land and Water Conservation Fund (LWCF) grants that support outdoor recreation and conservation projects. These funds, which are made up of non-taxpayer dollars from Outer Continental Shelf lease revenues, are part of \$61.6 million being awarded to the 50 states, the Territories, and the District of Columbia. The funds come through federal matching grants that leverage public and private investment in America's state and local public parks.

Rock Springs Mayoral Race: Kathy Phelps has announced her candidacy for Rock Springs Mayor.

LOWER 48 STATE AFFAIRS: ADDITIONAL ITEMS

- The Associated Press [reports](#) that New Mexico Governor Susana Martinez (R) urged members of Congress on June 6 to speed up the process for granting permits to drill for oil and gas on federal land in the state.
- NW Oklahoma to get another [frac sand mine](#).
- Oklahoma Independent Petroleum Association president [resigns](#).