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Sent: Fri 04/05/2018 8:46:24 PM (UTC)
Subject: RE: L48 Bi-Weekly Update - May 4, 2018

Redacted - First Amendment

From: Knaizer, Sam

Sent: Friday, May 4, 2018 2:20 PM

To: Miner, Robert <[REDACTED]@bp.com>; Cochrane, Phil <[REDACTED]@bp.com>; Crochet, Ben <[REDACTED]@bp.com>; Thomas, Larry <[REDACTED]@bp.com>; Lindscoog, Wendy <[REDACTED]@bp.com>; Gregg, Dawn L <[REDACTED]@bp.com>; Chen, Matthew <[REDACTED]@bp.com>; Walker, Ryan <[REDACTED]@bp.com>; Swink, Suzanne <[REDACTED]@bp.com>; Nolan, James <[REDACTED]@bp.com>; Clanton, Brett <[REDACTED]@bp.com>; Taybron, Sahara <[REDACTED]@bp.com>; Khalilov, Seymour <[REDACTED]@bp.com>; Alves, Nuno F <[REDACTED]@uk.bp.com>; Wolf, Tom <[REDACTED]@bp.com>

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Subject: L48 Bi-Weekly Update - May 4, 2018

QUICK NOTES:

- A Colorado County District Court Judge ruled that Thornton's 2017 oil and gas regulations governing oil and gas gathering pipelines and a 750-foot setback for new wells violate state and federal law.
- Democrats have secured a candidate on the ballot in every 2018 Colorado congressional, statehouse and major statewide race.
- EDF issued a press release entitled "New Mexico Establishes Weakest-in-the-Nation Clean Air Protections from Oil and Gas Development."
- Restore Oklahoma Now, the group that planned to put a gross production tax increase on the statewide ballot in November, has ended its campaign. Notably, the Oklahoma legislative session ended today.
- A 3.4-magnitude earthquake was reported near Hobson Oil Field on Tuesday morning in Wilson County, TX by the U.S. Geological Survey.
- BP hosted a dinner honoring RRC Chairman Craddick for her positive impact within the Industry/RRC by ensuring the agencies use of science based regulation.
- The Interior Department began releasing draft proposals to amend Obama-era greater sage grouse conservation plans in seven Western states.

BPA KEY OBJECTIVES

Objective: Win support from Administration, federal and state elected officials for voluntary methane reductions and work through trade associations and industry working groups to revise BLM venting-and-flaring rule and existing EPA methane and ozone rules.

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Objective: Reform DOI federal permitting process to expedite and reduce delays and improve timeline for Bureau of Indian Affairs (BIA) review.

- During the reporting period, Bureau of Indian Affairs Director Bryan Rice resigned over allegations that he bullied his agency's FOIA officer. Darryl LaCounte, the regional BIA director based in Billings, will take over as acting BIA director.
- Knaizer is working with L48 West BU leadership to assess needs Southern Ute Indian Tribe advocacy engagement.

Objective: Secure prioritized Endangered Species Act reforms, recognizing that comprehensive legislative reform is unlikely.

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Objective: Migratory Bird Treaty Act reforms that will limit enforcement of "takes" from indirect impacts such as development near a bird nest.

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

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- **April 23 – 26:** Western Energy Alliance Call Up (Washington D.C.)
- **April 23:** BP Honors RRC Chairman Craddick + Energy Outlook Presentation (Austin, TX)
- **April 24:** COGCC Director Julie Murphy (Denver, CO)

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- **April 25-27:** Legislative Finance Committee (Santa Fe, NM)
- **April 26:** Meeting with Iris Cross and Maria Viso, BP America C&EA – Remediation Management Visit (Albuquerque)

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- **April 30:** Metro Denver EDC CEO JJ Ament (Denver, CO)
- **May 1:** Colorado Petroleum Council (CPC) Mobilization for 2018 Election (Denver, CO)
- **May 1:** OKC Chamber of Commerce Legislative Reception (Oklahoma City, OK)

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- **May 3:** RRC Meetings – High Cost Gas Application Review (Austin, TX)
- **May 3:** Meeting with Wyoming Infrastructure Authority – Wyoming Oil & Gas Effective Tax Rate Study (Cheyenne)

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

Colorado

• **2018 Legislative Session:** During this reporting period, Governor John Hickenlooper signed the \$28.9 billion state budget into law. The budget covers the 2018-19 fiscal year, which begins July 1. The budget calls for \$495 million for transportation projects and sets aside \$225 million to shore up the state pension, which is badly underfunded. It boosts K-12 education funding by \$150 million annually. Public colleges and universities will get a 9 percent funding bump aimed at limiting tuition hikes. Perhaps most importantly, it includes \$5 million to address orphan wells. In a surprise turn, two bills we have been actively working all session have been resurrected from life support:

- SB18-230 'Modify Laws Drilling Units Pooling Orders' was heard in House Committee on State, Veterans & Military Affairs. This bill is a proactive bill put forth by industry as a means to address resident concerns with the pooling process. The bill increases the amount of time a lease offer must be given prior to a pooling order to 60 days and also requires that a brochure, provided by the Colorado Oil and Gas Conservation Commission, which clearly and concisely explains the pooling process, is provided to the mineral owner. This is an important change to ensure Colorado Pooling statute is in accordance with current oil and gas development practice. Lastly, the bill clarifies that nonconsenting owners are not liable for any damages that could occur from the development of their minerals. CPC supported this bill and testified accordingly. This bill passed both the House and Senate on third readings and will likely be on its way to the Governor's desk in the next few days.
- SB18-245 'Allow Natural Occurring Radioactive Material Rules' allows the department to move forward with a rulemaking on NORM, so long as they conduct a stakeholder process. This bill does not prescribe the nature in which that rulemaking must be done. This bill will likely pass the Senate by the end of this week and will then move to the House.

• **Judge Rules Parts of Thornton Regulations Violate Law:** Last week an Adams County District Court Judge ruled that Thornton's 2017 oil and gas regulations governing oil and gas gathering pipelines and a 750-foot setback for new wells violate state and federal law. Colorado's two main oil and gas trade associations in October sued the city of Thornton, saying the town's rules for industry operations within its borders were illegal. The Court struck down the most problematic provisions of local law as facially preempted by state law, including a provision allowing the city to determine whether its regulations conflicted with state law, gathering line regulations, and all local setback provisions. However, the Court denied the motion for summary judgment with respect to the somewhat less onerous site disturbance regulations (arguments which could be reasserted in an as-applied posture in the future). While we expect the city to appeal, this is yet another strong decision in Colorado standing for the proposition that local government regulations can't facially conflict with state law. Denver Post coverage can be found [here](#).

• **Democrats Have Candidate on Ballot for Every Single 2018 Race:** Democrats have secured a candidate on the ballot in every 2018 Colorado congressional, statehouse and major statewide race. They are also hoping to flip seats in Colorado traditionally seen as guaranteed losses past, following in the footsteps of Democrats in Virginia last fall. Republicans hold a one-seat majority in the Colorado Senate, while Democrats control the Colorado House of Representatives. The Colorado Republican Party said it doesn't have candidates in all of the state's legislative races. Out of the 65 state House races, the GOP had 35 people running before the statewide

Republican assembly. At that time, the party also had candidates on the ballot in 13 of 17 state Senate races. On the one hand, active candidates help circulate the party's message and can rally the base. On the other, those who stand little to no chance of winning can be a drain on resources.

Notably, in Colorado's governor's race, Former U.S. Senator Ken Salazar endorsed Cary Kennedy, and former U.S. Representative Pat Schroeder backed Jared Polis. Salazar, who was also secretary of the interior under President Barack Obama, made the announcement public Tuesday during a news conference at Kennedy's campaign headquarter Salazar is well connected within the Democratic Party; Hillary Clinton tapped him to serve as chair of her White House transition team. Mike Johnston, another Democrat running for governor, also has netted some notable endorsements including former U.S. Sen. Gary Hart and former Gov. Dick Lamm. Not to be outdone, State Rep. Joe Salazar won a key endorsement in the Colorado attorney general's race, announcing backing from former presidential candidate and U.S. Sen. Bernie Sanders.

New Mexico

- **AP: "Ad war heats up in race for New Mexico governor":** The Associated Press [reported](#) on May 2 that all four candidates in the race for Governor — three Democrats and one Republican — have taken to the airwaves to make their case to New Mexico's voters before the June 5 primary election. U.S. Rep. Steve Pearce of Hobbs (R-NM-CD2), the only Republican in the race (unopposed in the primary), launched his first [ad](#) on Wednesday, May 2 — highlighting "his early childhood brushes with poverty as a son of Texas sharecroppers." State Senator Joseph Cervantes of Las Cruces, the Chairman of the Senate Conservation Committee, has rolled out an [ad](#) touting his background as a businessman and "homegrown New Mexican, born and raised on a farm." Former Univision executive Jeff Apodaca of Albuquerque, the son of former Governor Jerry Apodaca (1975-79), was the first in the race to launch a television [ad](#). U.S. Rep. Michelle Lujan Grisham of Albuquerque (D-NM-CD1) leads the Democratic field and overall campaign for Governor in fundraising and "has received endorsements from an array of labor unions, progressive advocacy groups and four tribal governments," the AP reports, which are critical to success in Democratic primaries in the state. Lujan Grisham launched an [ad](#) last week and a radio campaign this week that seeks to "highlight her perseverance in raising two daughters as a widow and her past leadership at two state agencies."

- **Land Commissioner Candidates Making Case for State Royalty Rate Increases:** Democratic candidates running for Commissioner of Public Lands argue the state "is not getting a big enough cut from the natural resources behind a renewed boom in southeastern New Mexico," according to an April 28 [article](#) in the *Santa Fe New Mexican*. The *New Mexican* notes that "in much of New Mexico, the state charges a royalty rate of 12.5 percent, which has been in place for decades and is the same royalty rate as the federal government. However, in areas that have proven successful for oil and gas development, the [state land] commissioner can charge up to 20 percent." It would take action by the New Mexico State Legislature to raise rates above the 20 percent rate, and recent legislative attempts have failed.

- **EDF News Release Claims "New Mexico Establishes Weakest-in-the-Nation Clean Air Protections from Oil and Gas Development":** The New Mexico Environment Department has approved new permits for oil and gas sites "that are seriously deficient, constituting some of the weakest oil and gas air quality standards in the nation," according to an April 27 [news release](#) from the Environmental Defense Fund. EDF asserts that New Mexico's new permits "fail to include adequate protections for reducing harmful methane pollution that has made the state the subject of national attention." EDF added that "the new drilling permits finalized today include no requirements for companies to check their facilities for these harmful gas leaks, even though, according to the International Energy Agency, oil and gas methane emissions can be cut in half at zero net cost with existing tools and technologies." EDF claims that "the Martinez administration revised and weakened these permits at a time when the Trump administration is rolling back federal oil and gas standards."

- **Virginia-Based Group Runs Ads in New Mexico Asserting "Methane Rollback Not Aligned with Conservative Values":** According to a *New Mexico Political Report* [article](#) on April 30, a Virginia-based organization called [Conservatives for Responsible Stewardship](#) — formerly Republicans for Environmental Protection — has launched a media blitz in New Mexico arguing the Trump administration's plan to roll back the Bureau of Land Management's waste prevention rule on methane is "not consistent with conservative principles." "You know, I'm a conservative, our organization is an organization of conservatives, and we're of the opinion that

waste is not conservative,” said David Jenkins, the group’s president. “Common sense standards being put in place to prevent waste and to save taxpayers money, that’s a conservative thing to do.” Jenkins’ group has placed newspaper, radio and online ads in New Mexico and other states to support the BLM methane rule, according to the article. Jenkins argued that restricting emissions should not be a political issue.

Oklahoma

- **Regular Session:** The official regular session began February 5th and ends the last Friday of May. While the OK Constitution requires the legislature to finish by the last Friday of May, they can adjourn early. The legislature adjourned today, since members have been in session for the last 14 months with 2 special sessions.
- **Restore Oklahoma Now Abandons Tax Effort:** Restore Oklahoma Now, the group that planned to put a gross production tax increase on the statewide ballot in November, has ended its campaign. Instead, the group's leaders said they will focus on other legislative campaigns and a possible referendum on the tax increase that lawmakers adopted in March. The proposal would have raised the tax rate on oil and gas production to 7 percent. However, when lawmakers adopted a 5-percent gross production tax rate in advance of the teacher walkout, Restore Oklahoma Now reconsidered its goal.
- **Oklahoma Tax Payers Unite:** The group [filed the necessary paperwork](#) with the OK Secretary of State’s office to repeal HB 1010XX (tax increase bill). The group has until July 18 to collect a little more than 41,000 signatures to get this to a vote of the people. If the voters choose to reject HB 1010XX then the legislature will not have met its constitutional requirement to balance the budget. The Governor will have to call a special session to reconcile the budget.

Political Update

- **Governor:** [Donald Trump Jr was a special Guest of Lt. Gov Todd Lamb’s campaign](#) for Governor on May 2nd. [Recent polling](#) has Lamb, Cornett and Stitt in a close Republican primary on June 24th.
- **Lieutenant Governor:** Commissioner Murphy has outraised her opponents by 3:1. She is expected to win the Republican Primary and likely the race. Her closest primary opponent, Matt Pinnell, has criticized her fundraising from “entities the OCC regulates.” His criticism has not received momentum in the press.
- **Attorney General:** Efforts by Republican challenger Gentner Drummond have AG Hunter disqualified for seeking election was [rejected by the OK State Election Board](#). Both Drummond and Hunter are actively campaigning. Drummond attacks Hunter over special interest, lobbyist and affiliated with Governor Fallin (she has a 19% approval rating).

Texas

- **Seismic Activity:** A 3.4-magnitude earthquake was reported near Hobson Oil Field on Tuesday morning in Wilson County by the U.S. Geological Survey but people in Karnes County have also reported feeling the quake. "It was weird and scary at the same time. You know, you don't know what happened," Falls City resident GERALYN LABUS said. "It sounded like a loud boom and I saw the house shake," Labus said. She's not alone, the tremors were so strong people in neighboring counties felt it. Her neighbor shared pictures with KENS5 showing the aftermath of shattered glass in the neighbor's kitchen.
- **RRC / BP:** BP hosted a dinner honoring RRC Chairman Craddick for her positive impact within the Industry/RRC by ensuring the agencies use of science based regulation. ETX BU SVP Jamie deMahy will provide the introduction for the Chairman. Mark Finley BP’s General Manager, Global Energy Markets will talk about how the global energy landscape is changing, the key factors influencing the shift in the energy mix and the pace at which it

is changing. He will explore key uncertainties as outlined in BP's Energy Outlook and our views of future global energy markets to 2040. O/G Association leaders also attended. On Monday, April 23, TXOGA, BP and Texas Taxpayers and Research Association hosted a Lunch & Learn at the Capitol. Guest Speaker, Mark Finley of BP, presented BP's 2018 Energy Outlook: What is influencing the shift in the energy mix and the rapid change of pace and views of future global energy markets through 2040.

Railroad Commission: At its open meeting on April 24, 2018, the Railroad Commission proposed amendments to §§3.52 and 3.53 regarding testing requirements for oil wells. The proposed amendments will be published in the Friday, May 11, 2018, issue of the Texas Register; the public comment period will end at 5:00 p.m. on Friday, June 1, 2018. The PDF version of the proposal is available at the link below.

Commissioner Ryan Sitton debuted the Commission's 2018 Energy Market Outlook, an in-depth analysis of global energy markets and predictions for the remainder of the year. The report examines crude oil, natural gas, and other energy sources, such as wind, solar, geothermal and hydroelectric, and is based on both historical data from various resources, including the International Energy Agency and U.S. Energy Information Administration, as well as extrapolated data from Sitton's analysis. Commissioner Sitton has consistently advocated for enhanced energy transportation infrastructure that is key to Texas energy capitalizing on its opportunities. With the growing demand for U.S. and specifically Texas energy, as detailed in this report, more pipelines and enhanced ports are imperative to ensure our ability to safely and efficiently transport Texas energy around the world. The full report is available for download [here](#).

Follow up meetings with the RRC were conducted on May 3rd to discuss the RRC's tax reduction process associated with High Cost Gas well applications. An effort to streamline the application review process is being proposed.

- **TIPRO:** The Texas Independent Producers & Royalty Owners Association (TIPRO) released the third edition of its "State of Energy Report," offering a detailed analysis of national and state trends in oil and natural gas employment, wages and other key economic factors for 2017. TIPRO's "State of Energy Report" series was developed to further quantify and track the economic impact of domestic oil and natural gas production at the state and national level. According to the association's new report, the U.S. oil and gas industry employed 832,777 professionals in 2017, an increase of 3,060 jobs compared to 2016. This represents the first year showing employment growth in the sector since 2014. The industry paid a national annual wage averaging \$109,498 in 2017, 103 percent more than the average private sector wage and higher than average wages for construction, manufacturing, wholesale trade, information, professional services, health care, financial services and education services. Payroll in the U.S. oil and gas industry totaled \$91 billion in 2017, down by 3 percent compared to 2016. Texas led the country in oil and gas industry employment with a total of 325,439 jobs and was followed by the other oil and gas producing states in terms of industry employment, including: Oklahoma (61,562 jobs), Louisiana (51,507 jobs), California (35,956 jobs), and Pennsylvania (27,943 jobs), rounding out the top five states by oil and gas employment.

Wyoming

- **Drillers head to Wyoming, say Colorado is unfriendly to oil and gas:** Citing mounting public opposition to oil and gas drilling in the state, a growing number of producers in the Denver-Julesburg Basin are favoring Wyoming, North Dakota and Texas as they look to take advantage of rising oil prices. Another area catching the eye of Colorado producers is the Powder River Basin in Wyoming, which some are comparing to a smaller version of the Permian Basin of Texas in terms of its potential. Wyoming this year could see a fivefold jump in drilling permits over two years ago.

- **Wyoming Revenue Picture Improves:** The Consensus Revenue Estimating Group, or CREG, released its April this week, providing an updated summary of the state's major revenue sources. It comes as good news to the Wyoming Legislature, which is continuing to struggle through gaps between income and current spending levels. Wyoming relies on mining for around 70 percent of its revenue. When commodity prices declined in late 2014, it sent Wyoming into an economic bust that saw cuts to state agencies and K-12 education. Increased mining activity was projected to give lawmakers an extra \$141 million to work with going into the 2018 budget session that started in February. State agencies emerged from the session with no significant cuts, some funding restored and state-funded construction projects covered. However, K-12 education took a \$27 million cut to its escalating costs in the

two-year budget cycle. That compounded a \$77 million reduction made during the 2017 general session. The January report was a forecast of revenues, and the April report is a measuring stick that compares actual state revenue collections to date against the January forecast.

- **Sage Grouse Plans:** The Interior Department began releasing draft proposals to amend — in some cases significantly — Obama-era greater sage grouse conservation plans in seven Western states that were designed to protect the bird and its habitat across millions of federal acres. The Bureau of Land Management is releasing six separate draft environmental impact statements and proposed resource management plan amendments that are expected to call for removing some restrictions on oil and gas development, mining, and other activities in the original plans encompassing Colorado, Idaho, Nevada/Northern California, Oregon, Utah and Wyoming. The proposed changes appear designed to give states, as well as the oil and gas and mining industries, more "flexibility" to petition for waivers and exemptions on some restrictions, under the premise that the terrain and other characteristics of grouse habitat in each state are different and could allow for activities in grouse habitat that won't harm the bird.

- **Mineral Lease Lawsuits:** Lawsuits filed Monday in Idaho and Montana claim the Trump administration ignored policies meant to protect the greater sage grouse when it sold oil and gas leases in Montana, Wyoming, Utah and Nevada. They ask the court to reverse the sales.

LOWER 48 STATE AFFAIRS: ADDITIONAL ITEMS

- The Denver Post published an [op-ed response to the Boulder Climate Change Lawsuit](#).
- [Conservation Colorado contributed \\$47,000 to support Gwen Lachelt in the recall effort against her](#). By comparison, La Plata County Recall, the small-scale issue committee formed by David Peters, Ty Hawkins and Michael Cugnini, three county residents who seek Lachelt's recall, reported \$6,333.42 in donations from Jan. 30 to April 18.
- La Plata County [Cattlemen's group honored La Plata Energy Council Executive Director Christi Zeller at their annual banquet](#).
- Devon [CEO and GPT Increase Impact](#)
- Cool it: Oklahoma Ethics Commission, [Legislature clash over rules](#)
- [NW Oklahoma to Get Frac Sand Plant Next to STACK and SCOOP](#)