



For several weeks, Western Energy Alliance has been closely monitoring energy legislation making its way through Congress. This legislation began as an attempt by Congress to address the tragic accident in the Gulf, but in typical Washington fashion, was poisoned with punitive measures targeting onshore producers as well.

Together, the “CLEAR Act” and the “Blowout Prevention Act” would have had detrimental consequences for onshore production due to provisions that would have:

- Subjected onshore development to the reorganized MMS bureaus
- Changed onshore leasing to a sealed-bid system
- Reduced lease sales
- Increased rents and bonus
- Required “diligent development” reporting
- Required disclosure of proprietary components used in well-completions

Western Energy Alliance has been the lead voice objecting to the incorporation of harmful onshore provisions. Thanks to the diligence and the hard work of our members, staff and friends in state and local government, as of today much of the onerous onshore language, including the completion disclosure requirement, has been removed from the bill!

A large part of our success is a result of our ability to engage Democrat Congressmen, who weighed in to Speaker Pelosi with a [letter](#) asking leadership not to punish onshore producers for the Gulf disaster. The letter was signed by 16 Democrats, including Representatives Altmire (PA), Boren (OK), Boucher (VA), Costa (CA), Critz (PA), Cuellar (TX), C. Edwards (TX), G. Green (TX), Hinojosa (TX), Matheson (UT), Melancon (LA), Pomeroy (ND), Ortiz (TX), Gonzalez (TX), Ross (TX), and Teague (NM).

Western Energy Alliance also worked closely with the state trades, regulatory agencies, and the Interstate Oil and Gas Compact Commission (IOGCC), encouraging them to contact Congress with their concerns. IOGCC sent a [letter](#) to Congress, and is helping to spur the states to action. The Texas Railroad Commission, for example, recently sent a [letter](#) to House Energy and Commerce Chairman Henry Waxman about the negative impacts of the Blowout Prevention Act.

Unfortunately, there are still several provisions in this bill that would be harmful to onshore producers:

Reorganization of MMS

Western Energy Alliance has grave concerns over provisions reorganizing the Minerals Management Service (MMS), which would diminish the efficiency of the professional land managers at the Bureau of Land Management (BLM) and National Park Service (NPS), while adding additional superfluous layers of bureaucracy that will exacerbate the already long and costly process of developing energy on public lands.

Separating the leasing, permitting and environmental analysis from the overall land stewardship of BLM will result in severed functionality and lack of a holistic approach to land management. It is unclear to us how moving environmental analysis into a separate bureau from that which conducts land use planning will work, since Environmental Impact Statements (EIS) are such a large part of the land use planning process.

Imposition of an “annual production incentive fee”

The imposition of a \$2 per barrel of oil, or 20 cents per million Btu of natural gas for production from existing leases adds to the growing concern that this Congress has no regard for the sanctity of contracts. The bill specifies that the fee would apply to all leases in effect on the date of enactment of the Act, rather than just on new leases. Such a retroactive measure would violate the terms of valid existing leases and government contracts that were entered into in good faith by lessees under the terms in effect at the time.

Energy development on federal land is recognized as a costly and uncertain prospect for industry, but it is highly profitable venture for the federal government. We will continue to remind Congress that the federal government receives \$46 to \$1 return on investment for every dollar spent managing energy development on federal land. Important revenue from federal land development is shared with states, funds conservation programs and helps reduce the federal deficit.

Elimination of the Royalty-in-Kind program

Western Energy Alliance also opposes the elimination of the Royalty-In-Kind (RIK) Program. RIK allows companies to pay royalties directly with quantities of natural gas or oil, providing a straightforward method for handling royalty payments. Prices of natural gas and oil vary by date, by marketer, by grade of product sold (gravity of oil, BTU content of gas, quality of natural gas liquids, etc.) and other factors. The payment of royalties through the RIK program simplifies this complexity, and eliminates the need for hundreds of auditors. Under the RIK program, the only determination is the quantity of natural gas or oil delivered to the government. According to government reports, the RIK program raises millions of dollars in additional revenues to the government than would normally be received if the royalty were taken in cash value.

These concerns are outlined in an [analysis](#) that was requested by and sent to House leadership this afternoon.

The Western Energy Alliance will continue working closely with state and local governments, allied trades, business and conservation groups, and members of Congress to ensure that these harmful provisions do not become law. In the meantime, if you have not done so already, I encourage you to contact your congressional representatives and ask them to oppose this legislation.

[Click here to ask Congress to oppose the CLEAR Act.](#)

[Click here to view the revised CLEAR Act in its entirety.](#)