

Congress of the United States
Washington, DC 20515

June 10, 2020

The Honorable David L. Bernhardt
Secretary
U.S. Department of the Interior
1849 C Street, N.W.
Washington, DC 20240

Dear Secretary Bernhardt:

Thank you for the recent actions you have taken to provide guidance to BLM field offices for processing oil and gas Royalty Rate Reduction (RRR) Requests and Lease Suspension Applications due to COVID-19, and for helping to ensure those applications are processed in a timely manner. Your efforts are greatly appreciated.

As you know, the oil and gas industry continues to experience significant impacts from the global drop in demand that resulted in unprecedented low commodity prices. Current prices make it difficult for operators to afford the large capital investments required for drilling. This is made evident through the nationwide rig count which is at the lowest point ever on record.¹ In just a matter of months, the rig count in Wyoming has dropped from 21 in early March to only one today.

With this in mind, additional relief in the form of extending the deadlines associated with exploratory units for one year would prove exceedingly beneficial. Companies need capital to not only remain viable during this downturn, but also as they work to rebuild in the future. Such unit deadlines include those for commencement of obligation wells, paying well determinations and continuous drilling obligations. We request that BLM exercise its authority provided in the model unit agreement² to modify the rate of prospecting, development and production in order to attain the conservation objectives of the units (Section 21). The Department of the Interior must manage federal production to maximize the conservation of oil and gas resources. These extensions will serve this end.

Forcing operators to fulfill exploratory unit requirements, such as having to drill two wells per year, will not only contribute to the oversupply of oil, but it will also place the additional burden on operators to cover the cost of hiring rigs. Under the current market conditions, this burden will be significant, particularly in states like Wyoming where it is comparatively more expensive to drill. In short, current conditions make it impossible to meet the conservation objectives in Section 16 of the model unit agreement to “provide for the most economical and efficient recovery”.³

¹ <https://www.eia.gov/todayinenergy/detail.php?id=43796>

² 43 CFR §3186.1

³ Id.

As the economic landscape of the oil and gas industry continues to be altered by the COVID-19 pandemic, we respectfully request a response to our request no later than June 24. Our hope is that we can emerge with an oil and gas industry that can continue to develop and provide much needed jobs and tax revenue in the future. Your leadership and direction in moving this request forward is of great importance.

Sincerely,



Liz Cheney
Member of Congress



John Barrasso, M.D.
United States Senator



Michael B. Enzi
United States Senator