

## **The Trump Administration Is Offering A Backdoor Bailout To Oil Companies By Granting Lease Suspensions And Steeply Discounted Royalty Rates**

**The Trump Administration Is Allowing Oil Companies That Drill On Public Lands To Pause Their Leases Rent-Free Or Pay A Steeply-Reduced Royalty**

### **BLM Put Out An Offer To Public Lands Drillers For Reduced Royalties Or Suspended Leases**

**BLM Advised Public Lands Oil And Gas Drillers On How To Apply For Reduced Royalty Rates Or Lease Suspensions During The COVID-19 Pandemic.** “The BLM has authority to grant royalty relief when it is in the interest of conservation to do so or would encourage the greatest ultimate recovery of oil and gas. Without royalty relief, the abandonment of oil and gas wells would reduce the ultimate recovery of petroleum resources from Federal leases and result in the loss of the associated future royalty revenue to the U.S. Treasury. To avoid these well abandonments, operators may show that it would be in the interest of conservation and encourage the greatest ultimate recovery of oil and gas to reduce royalties for leases that would otherwise be prematurely abandoned due to the COVID-19 pandemic.” [BLM Royalty Relief Guidance, [04/21/20](#)]

- **BLM Didn't Say How Much It Is Willing To Reduce Companies' Royalties By, But Suggested It Would Be A Substantial Amount That Will Last One Year.** “The MLA allows BLM, for the purpose of encouraging the greatest ultimate recovery of oil and gas and in the conservation of natural resources, to “waive, suspend, or reduce” the royalty rate on a federal oil and gas lease when “necessary . . . to promote development” or when the lease “cannot be successfully operated” under its current terms. 30 U.S.C. § 209. BLM’s regulations specify the requirements of an application for royalty relief. 43 C.F.R. § 3103.4-1. [...] The Interim Royalty Relief Guidance does not specify a particular rate; however, it uses the example of a reduction from 12.5 percent to 0.5 percent. This example suggests that BLM will consider requests to significantly reduce royalty rates. [...] Approved temporary royalty rate reductions will terminate one year from BLM’s approval of the application.” [Davis Graham & Stubbs, [04/23/20](#)]
- **BLM’s Offer To Suspend Leases Will Postpone Any “Operational Obligation” The Company Has With That Lease.** “BLM’s Interim Guidance for Lease

Suspension Requests During the COVID-19 National Emergency (“Interim Suspension Guidance”) outlines how federal lessees may obtain suspensions of operations or production under section 17 of the Mineral Leasing Act (MLA) because of the COVID-19 pandemic. [...] A suspension of operations postpones the operational obligation of a lease and temporarily tolls the running of the lease term to prevent the lease from expiring during the suspension. A suspension of production postpones the production obligation of the lease to prevent it from expiring during the suspension.” [Davis Graham & Stubbs, [04/23/20](#)]

- **“A suspension of operations and production tolls the running of the lease term, prevents the lease from expiring during the suspension, and tolls payment of rentals, but it also bars both operations and production.”** [BLM, accessed [05/18/20](#)]

### **As Of May 15th, BLM Had Approved Royalty Reductions For 75 Leases In Utah-- Covering 89,823 Acres Of Public Land...**

**BLM Has Approved Royalty Rate Reductions For 75 Oil And Gas Leases On 89,823 Acres Of Public Land In Utah.** [BLM LR2000, accessed [05/15/20](#)]

- **Lonesome Oil & Gas Recieved A Royalty Reduction To 2.5% On 11 Leases.** [BLM LR2000, accessed [05/15/20](#)]
- **Nerd Gas And Kirkwood Oil Recieved A Royalty Reduction To 5% On 53 Leases.** [BLM LR2000, accessed [05/15/20](#)]
- **QEP Received A Royalty Reduction To 5% On One Lease.** [BLM LR2000, accessed [05/15/20](#)]
- **Cross Timbers Received A Royalty Reduction To 5% On One Lease.** [BLM LR2000, accessed [05/15/20](#)]
- **FRI Utah Received Reductions To 2.5 Percent On Three Leases.** [BLM LR2000, accessed [05/15/20](#)]
- **Finley Resources Received Reductions To 2.5 Percent On One Leases.** [BLM LR2000, accessed [05/15/20](#)]

- **CH4 Energy Received A Royalty Reduction To 2.5 Percent On Two Leases.** [BLM LR2000, accessed [05/15/20](#)]

### **...And 69 Lease Suspensions In Wyoming, Covering 45,706 Acres Of Public Land**

- **Of The 69 Leases, Chesapeake Exploration Was Majority Owner Of 67 Of The Leases.** Cnooc Energy has a 16.6 percent stake in 52 of them. [BLM LR2000, accessed [05/15/20](#)]
- **Ballard Petroleum Holdings And Maurice W. Brown Oil And Gas Each Have A 50 Percent Stake In One Suspended Lease.** [BLM LR2000, accessed [05/15/20](#)]
- **Kirkwood Oil And Gas Has Been Granted One Lease Suspension.** [BLM LR2000, accessed [05/15/20](#)]

### **The Largest Beneficiaries Of Trump's Backdoor Bailout Have A Lengthy Environmental Rap Sheet**

#### **Chesapeake Exploration Has Paid Out Nearly \$14 Million In Environmental Penalties And \$25 Million For Racketeering**

**Chesapeake Exploration Received 67 Lease Suspensions In Wyoming.** [BLM LR2000, accessed [05/15/20](#)]

- **Chesapeake Exploration Is A Subsidiary Of Chesapeake Energy.** [SEC, accessed [05/18/20](#)]

**Chesapeake Energy Has Been Assessed \$13,889,964 For 14 Environmental Violations Since 2000.** [Violation Tracker, accessed [05/18/20](#)]

- **Chesapeake Paid \$6.5 Million In Clean Water Act Penalties After It Was Caught Dumping Waste At 27 Separate Sites, Impacting Streams And Wetlands.** “The U.S. Environmental Protection Agency and the Department of Justice announced that Chesapeake Appalachia, LLC, a subsidiary of Chesapeake Energy, the nation’s second largest natural gas producer, will spend an EPA-estimated \$6.5 million to restore 27 sites damaged by unauthorized discharges of fill material into streams and wetlands and to implement a comprehensive plan to comply with federal and state water protection laws at

the company's natural gas extraction sites in West Virginia, many of which involve hydraulic fracturing operations." [EPA, [12/19/13](#)]

**Chesapeake Paid A \$25 Million Penalty In Michigan After It Conspired With Another Oil Company To Avoid Bidding Wars In 2015.** "Chesapeake Energy Corp. agreed to pay \$25 million to a victims compensation fund in settlement of allegations it conspired with Encana Oil & Gas to avoid bidding wars for Michigan oil and gas leases. It also pleaded guilty to one count of attempted antitrust violations, a misdemeanor, and one count of false pretenses, a misdemeanor. Criminal sentencing was suspended on condition of abiding by settlement terms. Encana settled the allegations against it in 2014." [Violation Tracker, accessed [05/18/20](#)]

- **Chesapeake's \$25 Million Civil Penalty Was Paid After A Racketeering Complaint.** "Michigan Attorney General Bill Schuette and Michigan Department of Natural Resources (DNR) Director Keith Creagh today announced that the state has reached a \$25 million civil settlement with Oklahoma-based energy company Chesapeake Energy Corporation. This settlement resolves allegations the company conspired with Calgary-based Encana Oil & Gas to avoid bidding wars against each other in Michigan public auctions for oil and gas leases that caused lease prices to plummet in October 2010. This settlement also addresses complaints that Chesapeake defrauded hundreds of private citizens by fraudulently cancelling their oil and gas leases in 2010. Schuette previously reached a \$5 million settlement agreement with Encana in May 2014. [...] A \$25 million victims' compensation fund will be established and every victim listed in the state's Racketeering complaint will be paid back 100% of their losses and attorney fees." [State of Michigan, [04/24/15](#)]