



Subcommittee on Energy & Mineral Resources – H.R. 7377 Opening Statement

Thank you, Mr. Chairman, and Ranking Member Ocasio-Cortez. And thank you to all the witnesses for being here, especially Mr. Steve Dudgeon from Ryan LLC and Mr. Dan Naatz of IPAA.

During a hearing last year, I asked BLM's Deputy Director for Operations, Michael Nedd a question pertaining to Communization Agreements.

That question spurred conversations with committee staff, industry partners, and my office.

From those conversations, the Royalty Resiliency Act was born.

Currently, BLM is required by law to approve Communization Agreements within 120 days of receipt.

There has been a lengthy backlog and despite their best efforts, BLM is not meeting that deadline.

As a result, and because of an Office of Natural Resource Revenue (ONRR) policy, operators are being charged a 100 percent royalty rate on the federal share even if the federal government doesn't own 100 percent of the land.

Therein lies the problem! Operators are being charged millions of dollars upfront, in an industry that is already capital intensive.

Behind me is a sample Communization Agreement. The black line represents a horizontal well that crosses multiple stakeholders' land.

In this example, the breakdown of land ownership is 50 percent for a State, 25 percent for a private citizen, and 25 percent for the federal government.

In this example, the State owns the largest share of the land and should be receiving the largest share of royalties from production.

However, ONRR is charging operators a 100 percent rate and so the operator is actually paying a 175 percent royalty rate.

This is an egregious policy that is locking up millions of dollars for operators, and as we will hear later from our witnesses, a change in this policy will be beneficial to both States and the federal government.

My bill simply fixes this policy by mandating that the operator only pays the shares of royalties that are apportioned in the Communization Agreement.

This commonsense fix will spur future growth by allowing operators to have the ability to invest in other energy projects.

More capital, in turn, will create more American jobs, more royalties for federal and state governments and will bring fairness.

Lastly, I will note, the Department of Interior is supportive of my legislation.

Mr. Chairman, I yield back.