



Submitted Testimony

Of

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The

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Regarding

House Committee on Natural Resources Subcommittee on  
Energy and Mineral Resources

Legislative Hearing on H.R. 7375 and H.R. 7377

March 6, 2024

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Good afternoon, Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the Subcommittee on Energy and Mineral Resources. My name is Dan Naatz. I am the Chief Operating Officer of the Independent Petroleum Association of America (IPAA), and I am here today to testify in support of H.R. 7375 sponsored by Representative Hageman, and H.R. 7377, the "Royalty Resiliency Act" sponsored by Representative Hunt.

IPAA is a national trade association representing thousands of American independent oil and natural gas producers. Our members, who operate in thirty-three states as well as offshore, are the primary producers of the nation's oil and natural gas and account for 83 percent of America's oil production and 90 percent of its natural gas output. These independent producers are a driving force in our economy and support roughly 4.5 million jobs in the United States. IPAA member companies are innovative leaders that broke the code to usher in the shale oil and natural gas revolution in the United States. Furthermore, our average member company employees twenty people. These small businesses are unique and are best served by having a cooperative federal regulatory system with input from the states and the federal government rather than a one-size-fits-all structure coming from Washington.

I want to thank the Chairman for holding this hearing today on two commonsense legislative proposals that will positively impact IPAA members who operate on federal lands. H.R. 7375 and H.R. 7377 bring much-needed changes and clarifications to the leasing and royalty gathering process for oil and natural gas exploration and development activities on federal lands, providing greater equitability to the lessees.

H.R. 7375, offered by Congresswoman Hageman, amends a provision of the Mineral Leasing Act that was changed as part of the Inflation Reduction Act of 2022 (IRA). The IRA included a new provision to assess an additional fee on companies for nominating parcels to be included in upcoming lease sales. Currently, every nominating company must pay the nonrefundable expression of interest fee regardless of the outcome of the lease sale. In effect, companies who do not have the highest bid and thus do not win the lease are still beholden to pay the expression of interest fee. While IPAA maintains that a "pay to play" expression of interest fee in general is a bad idea; we strongly oppose assessing a nonrefundable fee on a company who was not even successful in their bid to lease a particular parcel.

From a policy perspective, IPAA believes the new language included in the IRA will negatively change the competitive bidding process on federal lands. Furthermore, this fee only applies to oil and natural gas development. There is no similar equivalent for the expression of interest for wind or solar leases.

IPAA also supports language in the bill that designates a 5-year term for the expression of interest fee to remain active unless the land covered by the fee is included in a lease sale. Rather than placing additional fees and burdens on American oil and natural gas explorers and producers operating on multiple use federal lands, Congress should look for ways to enhance production to provide the nation with much needed energy resources.

IPAA also supports H.R. 7377, the "Royalty Resiliency Act" offered by Congressman Hunt. The Office of Natural Resources Revenue (ONRR) is a little-known agency with a bureaucratic regulatory structure that is largely unchecked and has little oversight. While IPAA believes a complete overhaul of the ONRR is desperately needed, the legislation before us today aims to fix a reporting issue dealing with communized agreements.

The "Royalty Resiliency Act" requires the Department of the Interior to make a timely determination regarding the amount of production operators pay royalties on to the federal government, so that producers aren't paying unnecessary interest on those royalty payments while they wait for a determination.

Current law states that the Secretary shall issue a determination for allocation of production for units and communization agreements within 120 days, however, it also gives the Secretary flexibility to exceed the 120-day deadline by waiving interest due on obligations until a determination is made. H.R. 7377 closes the exception loophole. The legislation also assumes that the pending plan for communization is correct rather than the other way around. This change will save companies from overpaying royalties that ONRR collects interest on while the agency determines approval. It is worth noting that the federal government does not live by these same rules, interest is not repaid to the company when communization plans are finally issued.

Furthermore, current law states that ONRR gets to collect 100 percent of the royalty rate on production even if the federal government does not own 100 percent of the land used during operation. The patchwork nature of land ownership in the west makes this a complicated issue. It is common for federal land to mingle with private or state-owned land on parcels in the west, however, the treasury should only get the percentage of royalty that is rightfully owned by the federal government. H.R. 7377 corrects these flaws and provides a more equitable system where federal royalties are only collected on land owned by the federal government.

IPAA member companies are committed to finding creative solutions to problems that exist within the scope of oil and natural gas production on federal lands. We commend the House Natural Resources Committee for seeking innovative solutions to these issues that will enhance the ability of America to continue to have a robust onshore oil and natural gas program.

Thank you for the opportunity to join you today.