

119TH CONGRESS
2D SESSION

S. _____

To reduce energy supply shortages and consumer fuel costs by lowering production cost barriers for domestic upstream oil and natural gas producers, providing temporary royalty and tax relief during periods of supply stress, streamlining permitting for additional production, encouraging State severance tax relief, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. COTTON introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To reduce energy supply shortages and consumer fuel costs by lowering production cost barriers for domestic upstream oil and natural gas producers, providing temporary royalty and tax relief during periods of supply stress, streamlining permitting for additional production, encouraging State severance tax relief, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Supply Relief and Do-
5 mestic Production Cost Reduction Act”.

1 **SEC. 2. PURPOSES.**

2 The purposes of this Act are—

3 (1) to increase the availability of domestic crude
4 oil, natural gas, condensate, and natural gas liquids
5 during periods of supply shortage or elevated con-
6 sumer fuel costs;

7 (2) to reduce marginal production costs for up-
8 stream producers capable of bringing additional sup-
9 ply to market;

10 (3) to lower Federal fiscal, regulatory, and per-
11 mitting barriers that discourage domestic explo-
12 ration, drilling, completion, recompletion, workover,
13 and production activities;

14 (4) to ensure that relief provided under this Act
15 is tied to domestic production, supply availability,
16 and consumer cost reduction; and

17 (5) to preserve environmental, safety, and rec-
18 lamation obligations while ensuring that such obliga-
19 tions are implemented in a timely, predictable, and
20 non-duplicative manner.

21 **SEC. 3. DEFINITIONS.**

22 In this Act:

23 (1) COVERED ENERGY COMMODITY.—The term
24 “covered energy commodity” means crude oil, nat-
25 ural gas, condensate, natural gas liquids, or any

1 other hydrocarbon produced from an oil or gas well
2 in the United States.

3 (2) COVERED PRODUCER.—The term “covered
4 producer” means a person that—

5 (A) holds a working interest, operating in-
6 terest, record title interest, operating right,
7 leasehold interest, or other right to explore for,
8 develop, drill, complete, recomplete, work over,
9 produce, or sell a covered energy commodity;
10 and

11 (B) conducts, or proposes to conduct, cov-
12 ered upstream production activity in the United
13 States.

14 (3) COVERED UPSTREAM PRODUCTION ACTIV-
15 ITY.—The term “covered upstream production activ-
16 ity” means—

17 (A) geologic, geophysical, engineering, sur-
18 veying, staking, site preparation, exploration,
19 drilling, completion, recompletion, workover,
20 plugging back, stimulation, artificial lift, pro-
21 duced water handling, gathering, separation,
22 compression, metering, storage, or transpor-
23 tation activity carried out upstream of the point
24 of sale or custody transfer of a covered energy
25 commodity;

1 (B) construction, maintenance, replace-
2 ment, modernization, or operation of equip-
3 ment, roads, pads, tank batteries, flowlines,
4 gathering lines, compressor units, separators,
5 dehydrators, meters, produced water systems,
6 power supply, and other appurtenant facilities
7 necessary for the production of a covered en-
8 ergy commodity; and

9 (C) any activity that the Secretary deter-
10 mines is reasonably necessary to increase, main-
11 tain, restore, or avoid the curtailment of domes-
12 tic production of a covered energy commodity.

13 (4) OIL AND GAS LEASE.—The term “oil and
14 gas lease” means a lease of Federal land for oil and
15 gas production issued pursuant to the Mineral Leas-
16 ing Act (30 U.S.C. 181 et seq.).

17 (5) OUTER CONTINENTAL SHELF.—The term
18 “outer Continental Shelf” has the meaning given the
19 term in section 2 of the Outer Continental Shelf
20 Lands Act (43 U.S.C. 1331).

21 (6) SECRETARY.—The term “Secretary” means
22 the Secretary of the Interior.

23 (7) SUPPLY SHORTAGE PERIOD.—The term
24 “supply shortage period” means a period certified
25 under section 101.

1 (8) UNITED STATES.—The term “United
2 States” means—

3 (A) the States;

4 (B) the District of Columbia;

5 (C) the Commonwealth of Puerto Rico;

6 (D) Guam;

7 (E) American Samoa;

8 (F) the Commonwealth of the Northern
9 Mariana Islands;

10 (G) the United States Virgin Islands; and

11 (H) any other territory or possession of the
12 United States, including the outer Continental
13 Shelf.

14 **TITLE I—SUPPLY SHORTAGE**
15 **DETERMINATION**

16 **SEC. 101. CERTIFICATION OF SUPPLY SHORTAGE PERIOD.**

17 (a) IN GENERAL.—The Secretary of Energy shall
18 certify a supply shortage period for purposes of this Act
19 if the Secretary of Energy determines that 1 or more of
20 the following conditions exists:

21 (1) The average retail price of gasoline, diesel
22 fuel, home heating oil, or natural gas for residential,
23 commercial, industrial, agricultural, or electric gen-
24 eration use exceeds the 5-year average price for such

1 fuel by more than 15 percent for a period of not
2 fewer than 30 consecutive days.

3 (2) Domestic inventories of crude oil, petroleum
4 products, or natural gas are below the 5-year sea-
5 sonal average for a period of not fewer than 30 con-
6 secutive days.

7 (3) Domestic production of crude oil, natural
8 gas, condensate, or natural gas liquids is constrained
9 by insufficient permitting, leasing, transportation,
10 gathering, processing, or field-service capacity.

11 (4) The President has declared an energy emer-
12 gency, fuel supply emergency, national emergency
13 affecting energy markets, or other emergency that
14 materially affects the availability or cost of covered
15 energy commodities.

16 (5) The Secretary of Energy determines that
17 additional domestic production of covered energy
18 commodities would materially reduce the risk of
19 shortage, price escalation, or regional supply disrup-
20 tion.

21 (b) DURATION.—A certification by the Secretary of
22 Energy under subsection (a) shall remain in effect for 180
23 days unless terminated earlier under subsection (d).

24 (c) EXTENSION.—The Secretary of Energy may ex-
25 tend a certification under subsection (a) for additional pe-

1 riods of not more than 180 days if the Secretary of Energy
2 determines that the conditions described in that subsection
3 continue to exist.

4 (d) TERMINATION.—The Secretary of Energy may
5 terminate a supply shortage period if the Secretary of En-
6 ergy determines that the conditions described in sub-
7 section (a) no longer exist.

8 (e) PUBLICATION.—A certification, extension, or ter-
9 mination under this section shall be published in the Fed-
10 eral Register.

11 (f) SAVINGS CLAUSE.—A certification under this sec-
12 tion does not authorize any activity that is otherwise pro-
13 hibited by Federal law, except to the extent expressly pro-
14 vided in this Act.

15 **SEC. 102. COVERED RELIEF PERIOD.**

16 For purposes of this Act and the amendments made
17 by this Act, relief available during a supply shortage pe-
18 riod shall apply to—

19 (1) any covered upstream production activity
20 initiated, permitted, approved, modified, extended,
21 renewed, drilled, completed, recompleted, or placed
22 into production during the supply shortage period;
23 and

24 (2) any cost, payment, royalty, fee, tax, or ex-
25 penditure incurred during the supply shortage period

1 in connection with a covered upstream production
2 activity.

3 **TITLE II—FEDERAL ROYALTY**
4 **AND LEASE PAYMENT RELIEF**

5 **SEC. 201. TEMPORARY REDUCTION IN FEDERAL OIL AND**
6 **GAS ROYALTY RATES DURING SUPPLY**
7 **SHORTAGE PERIODS.**

8 (a) ONSHORE FEDERAL LANDS.—Notwithstanding
9 the Mineral Leasing Act (30 U.S.C. 181 et seq.), including
10 section 17 of that Act (30 U.S.C. 226), or any regulation
11 issued pursuant to that Act, during a supply shortage pe-
12 riod, the royalty rate for an oil or gas lease shall be the
13 lesser of—

14 (1) the royalty rate specified in the applicable
15 lease; and

16 (2) 8 percent.

17 (b) OUTER CONTINENTAL SHELF.—Notwithstanding
18 the Outer Continental Shelf Lands Act (43 U.S.C. 1331
19 et seq.), any regulation issued pursuant to that Act, or
20 any lease term to the contrary, during a supply shortage
21 period, the Secretary shall offer royalty relief, including
22 royalty suspension volumes, reduced royalty rates, or other
23 equivalent royalty relief, for production from any lease on
24 the outer Continental Shelf if the Secretary determines
25 that royalty relief is likely—

- 1 (1) to increase domestic production;
- 2 (2) to accelerate the timing of production;
- 3 (3) to extend production from an existing field;
- 4 (4) to avoid shut-in production; or
- 5 (5) to reduce consumer energy costs.

6 (c) MARGINAL WELLS.—

7 (1) DEFINITION OF MARGINAL WELL.—In this
8 subsection, the term “marginal well” means a well
9 that produces not more than—

10 (A) 15 barrels of oil per day; or

11 (B) 90,000 cubic feet of natural gas per
12 day.

13 (2) ROYALTY RATE.—During a supply shortage
14 period, the royalty rate for production from a mar-
15 ginal well on Federal land shall be 0 percent for the
16 24-month period beginning on the date that the ini-
17 tial supply shortage period, as applicable, was cer-
18 tified under section 101(a).

19 (d) NEW PRODUCTION FROM EXISTING LEASES.—

20 (1) DEFINITION OF INCREMENTAL NEW PRO-
21 Duction.—In this subsection, the term “incre-
22 mental new production” means production from—

23 (A) a new well drilled on an existing lease;

24 (B) a recompleted well;

25 (C) a workover operation;

1 (D) a restimulation operation;

2 (E) a secondary or tertiary recovery activ-
3 ity; or

4 (F) any other activity that increases pro-
5 duction above the average daily production from
6 the lease during the 12-month period preceding
7 the supply shortage period.

8 (2) ROYALTY RATE.—During a supply shortage
9 period, the royalty rate for incremental new produc-
10 tion from an existing oil or gas lease shall be re-
11 duced by 50 percent for the first 36 months of such
12 incremental production, as applicable, was certified
13 under section 101(a).

14 (e) NO EFFECT ON EXISTING ENVIRONMENTAL OR
15 RECLAMATION OBLIGATIONS.—Royalty relief provided
16 under this section shall not affect any obligation relating
17 to well control, safety, spill prevention, reclamation, bond-
18 ing, plugging, abandonment, or environmental compliance.

19 **SEC. 202. TEMPORARY REDUCTION OF FEDERAL LEASE**
20 **RENTALS, MINIMUM BIDS, AND RELATED**
21 **PAYMENTS.**

22 (a) RENTAL PAYMENTS.—During a supply shortage
23 period, the Secretary shall reduce by 50 percent any rental
24 payment otherwise due under applicable law with respect
25 to an oil or gas lease if the lessee certifies to the Secretary

1 that the savings resulting from the 50 percent reduction
2 will be used to support covered upstream production activ-
3 ity.

4 (b) MINIMUM BID.—During a supply shortage pe-
5 riod, the minimum acceptable bid for an oil or gas lease
6 shall be \$2 per acre.

7 (c) ADMINISTRATIVE FEES.—During a supply short-
8 age period, the Secretary shall waive, reduce, or defer non-
9 essential administrative fees associated with applications
10 for permits to drill, sundry notices, rights-of-way,
11 communitization agreements, unitization agreements,
12 lease reinstatements, lease extensions, and related approv-
13 als for covered upstream production activity.

14 (d) CERTIFICATION.—A lessee receiving relief under
15 this section shall certify to the Secretary that the relief
16 will be used to support—

17 (1) additional drilling, completion, recompletion,
18 workover, or production activity;

19 (2) maintenance or restoration of production;

20 (3) avoidance of shut-in production;

21 (4) reduction of delivered energy costs; or

22 (5) employment, equipment, or field-service ac-
23 tivity directly related to domestic production.

1 **SEC. 203. EXPEDITED ROYALTY RELIEF FOR SUPPLY-CON-**
2 **STRAINED BASINS.**

3 (a) DEFINITION OF SUPPLY-CONSTRAINED BASIN.—

4 In this section, the term “supply-constrained basin”
5 means a basin for which the Secretary of Energy, in con-
6 sultation with the Secretary, has made a determination
7 that—

8 (1) additional production from that basin would
9 materially increase domestic supply;

10 (2) production from that basin is constrained
11 by production costs, transportation constraints, lease
12 economics, permitting delays, or field-service limita-
13 tions; or

14 (3) production from that basin would materially
15 reduce regional or national fuel prices.

16 (b) EXPEDITED PROCESS.—

17 (1) ESTABLISHMENT.—During a supply short-
18 age period, the Secretary shall establish an expedited
19 process for applicants to submit an application for
20 royalty relief for Federal leases located in a supply-
21 constrained basin.

22 (2) APPLICATION.—An application submitted
23 under paragraph (1) shall be in such form and con-
24 tain such information as the Secretary may require.

25 (3) DEADLINE.—

1 (A) IN GENERAL.—Not later than 30 days
2 after the date on which a complete application
3 is submitted by an applicant under paragraph
4 (1), the Secretary shall—

5 (i) approve or deny the application for
6 relief; and

7 (ii) notify the applicant of the deter-
8 mination made under clause (i).

9 (B) MISSED DEADLINE APPROVAL.—If the
10 Secretary fails to approve or deny an applica-
11 tion by the deadline under subparagraph (A),
12 the application shall be considered approved for
13 a period of 24 months.

14 **TITLE III—FEDERAL LEASE**
15 **TERMS**

16 **SEC. 301. LEASE TERM EXTENSIONS.**

17 (a) IN GENERAL.—During a supply shortage period,
18 the Secretary shall extend by 2 years the primary term
19 of any oil or gas lease if production, drilling, completion,
20 or related operations were delayed by—

21 (1) Federal permitting delay;

22 (2) administrative protest;

23 (3) litigation;

24 (4) supply-chain disruption;

25 (5) lack of field-service availability;

1 (6) delay in obtaining a Federal right-of-way or
2 other Federal authorization; or

3 (7) any other cause outside the reasonable con-
4 trol of the lessee.

5 (b) NO ADDITIONAL PAYMENT.—An extension under
6 subsection (a) shall not require the payment of any addi-
7 tional bonus, rental, fee, or other consideration not other-
8 wise required under the lease.

9 **TITLE IV—CONSUMER COST AND** 10 **SUPPLY ACCOUNTABILITY**

11 **SEC. 401. PRODUCER CERTIFICATION.**

12 (a) IN GENERAL.—A covered producer receiving re-
13 lief under this Act shall certify to the applicable Federal
14 agency that the relief will be used to support 1 or more
15 of the following:

16 (1) Increased domestic production.

17 (2) Maintenance or restoration of existing pro-
18 duction.

19 (3) Avoidance of shut-in production.

20 (4) Reduction in production costs.

21 (5) Expansion of drilling, completion, recomple-
22 tion, workover, or field-service activity.

23 (6) Reduction of delivered energy costs to refin-
24 ers, utilities, industrial consumers, commercial con-
25 sumers, agricultural users, or households.

1 (b) FORM.—The certification required under sub-
2 section (a) shall be in such form and contain such infor-
3 mation as the Secretary of Energy may require.

4 (c) FALSE STATEMENTS.—A certification under sub-
5 section (a) shall be subject to section 1001 of title 18,
6 United States Code.

7 **SEC. 402. REPORT TO CONGRESS.**

8 Not later than 180 days after the first certification
9 of a supply shortage period under section 101(a), and an-
10 nually thereafter, the Secretary of Energy, in consultation
11 with the Secretary and the Secretary of the Treasury,
12 shall submit to Congress and make publicly available a
13 report describing—

14 (1) the effect of this Act on—

15 (A) domestic production of covered energy
16 commodities; and

17 (B) consumer fuel and energy costs;

18 (2) the number of permits, leases, rights-of-
19 way, sundry notices, and related approvals issued or
20 determined approved under this Act; and

21 (3) recommendations for additional legislative
22 action to reduce supply shortages and consumer
23 costs.

1 **SEC. 403. GAO REVIEW.**

2 Not later than 2 years after the date of enactment
3 of this Act, the Comptroller General of the United States
4 shall submit to Congress a report evaluating—

5 (1) whether relief provided under this Act—

6 (A) increased domestic supply;

7 (B) reduced production costs; and

8 (C) reduced consumer prices;

9 (2) whether Federal agencies complied with per-
10 mitting deadlines required under this Act; and

11 (3) whether additional reforms are necessary to
12 reduce supply shortages.