



536 South 500 West, Salt Lake City, UT 84101

FUELING UTAH'S GROWTH & PROSPERITY

March 25, 2020

Office of Governor Gary Herbert
350 North State Street, Suite 200
P.O. Box 142220
Salt Lake City, UT 84114-2220
Email: gherbert@utah.gov

Re: Request for Regulatory Certainty Necessary to Respond to Novel Coronavirus (COVID-19)

Dear Governor Herbert,

On behalf of the Utah Petroleum Association I want to thank you for your leadership as the State of Utah navigates the global crisis created by the COVID-19 virus. We applaud your balanced approach of protecting our citizen's health as well as guiding and trusting the responsibility of our citizens and businesses to take prudent actions that allow us to keep the state open for business as much as reasonable and to protect our state's economy. Pursuant to your March 6, 2020 declaration of a State of Emergency as part of the State's efforts to respond to the novel coronavirus (COVID-19), and subsequent "Utah Leads Together" economic recovery plan released March 24th, this letter requests clarity and temporary adjustment to certain provisions of, rules, orders and permits in an effort to minimize risk of exposure and otherwise respond to COVID-19 without sacrificing the protection of human health and the environment.

UPA member companies are committed to the safe and environmentally responsible operation of their sites and facilities, which underpin the state's economy and are considered not only critical infrastructure but critical "lifelines" by the Department of Public Safety. To protect employees, site contractors, and the general public, we are seeking to temporarily limit certain on-site activities by personnel and contractors as part of our larger COVID-19 response, as well as the extension of certain deadlines. In addition, we also respectfully request your recognition of the need to make certain regulatory changes given the significantly challenged operational and work-flow conditions under which we are and will continue to operate.

With respect to your economic recovery plan released yesterday, which sets out a need to continue the strict social distancing requirements for an additional 7-11 weeks, followed by the "stabilization" phase for an additional 10-14 weeks in which group gathering limitations will be softened and travel restrictions lessened, UPA anticipates the current working environment and the challenges and limitations outlined in the letter will continue for our industrial sectors for the next several months. As you have noted, those

targeted timelines are just that, targets, dependent on our ability to slow the transmission rate, and may be further extended.

In addition to the challenges responding to the COVID-19 pandemic are the resulting impacts on global commodity markets, which directly impact the state's oil and gas industry. Even in the best of times, the State of Utah is in competition with other major U.S. basins for capital investments and often operates at a price discount with other markets. Our state's upstream oil and gas industry is under intense threat given the current market conditions and increased costs and logistical challenges of producing in Utah. Several other states (i.e. Texas, Louisiana, and North Dakota,) recently issued statements or orders providing clarity, emergency protocols, and temporary changes to select regulations in response to the realities of our current, and likely medium-term future operating environments. These orders have not only provided real relief and clarity to the operators but also sent an important signal about the economic and community importance of oil and gas sector. I am hopeful that the State of Utah can provide a similar clarity and expression of support in these challenging times.

We also sincerely appreciate the Division of Oil Gas and Mining's collaborative attitude to overcome the unique challenges faced by the state's oil and gas industry. In that light, we raise the following requests for temporary relief of non-essential compliance discretion and note that the Division has the regulatory authority under R649-2-1(3) to suspend rules. In general, we request you postpone those tasks in which a delay will not jeopardize human health or the environment and extend deadlines that are now virtually impossible except, again, for those few instances where doing so would cause identifiable harm to human health or the environment. Please note that while most are applicable to the Division of Oil, Gas and Mining, and/or SITLA, some issues are directed to the Bureau of Land Management (BLM). We included them here to give a more robust picture of the relief that we seek from all jurisdictions. As such, UPA requests the following:

DIVISION OF OIL, GAS AND MINING

- Bonding (R649-3-1(4)) –The 120-day rule be extended to one year. Under the current circumstances, bonding is not a priority for financial institutions and sureties, making it difficult for operators to meet the deadlines. A reasonable and temporary extension of time will allow for proper processing of bonding increase requests.
- Bonding (R649-3-1(16)) –If additional bonding is required for a new operator, the new operator be afforded up to 180-days to secure the additional bond, for the same reasons outlined above.
- Bonding (R649-3-1(16)) – Except for situations requiring immediate action for protection of health, safety and the environment, delaying any bond forfeiture action for a period of 120 days after written notice by the Division has been provided.
- APD approval (R649-3-4(4)) – Temporary extension of APD approval from one year to two years.
- Well Site Restoration (R649-3-34) - To the extent within the Division's jurisdiction and not in contravention of any private surface use agreement, pause inspections on a case by case basis and depending on threat to health, safety and environment for a period of up to two years. This will protect personnel who must work in the field and provide short term financial relief to operators in the field.
- Shut-in and Temporary Abandoned (TA) Wells (R649-3-36) – Increase the five-year period to seven years. Additional time will be required to determine the economic viability of wells of shut-in and TA wells once markets stabilize and to prevent premature abandonment. Even after market recovery, operators will continue to be susceptible to financial stress and will need

additional time to recover. This extension will provide short term financial relief to allow operators to achieve that recovery.

As a general matter, there are many reporting requirements. With stay/work at home orders issued by companies and governmental authorities impacting the effectiveness of operators' staffing, the deadline for these reporting requirements should be extended, including but not limited to incident reporting under R649-3-32 (again excepting those which present an immediate threat to health, safety and environment). Finally, for similar protection of field personnel, a 60-day extension of any compliance action is requested.

SCHOOL AND INSTITUTIONAL TRUST LAND ADMINISTRATION

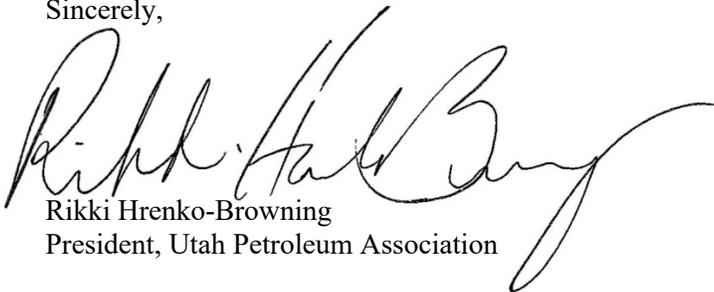
- Defer minimum royalty and rental payments requirements for a period of three months, not to be excused but paid in full without interest at a later date when conditions stabilize.

BUREAU OF LAND MANAGEMENT/OFFICE OF NATURAL RESOURCE REVENUE

- Recognition that current conditions constitute unavoidable delay under unit agreements tolling development requirements to prevent unit termination and/or contraction.
- Suspensions of operations and/or production should be readily granted as a conservation measure.
- Defer minimum royalty and rental payments requirements for a period of months, not to be excused, but paid in full without interest at a later date when conditions stabilize.
- Flexible requirements on shut-in or TA wells and reasonably allow for suspension of production if requested so operators have the ability to restart or rework wells once conditions stabilize and prevent premature abandonment
- Relax and slow implementation of site security and oil and gas measurement requirements, including inspections and compliance actions where doing so would not cause identifiable harm to human health or the environment.

This request encapsulates the requested actions that would be fully consistent with the industry's COVID-19 response, while maintaining safe and environmentally responsible operation. We sincerely appreciate your consideration. If you have any questions about this request, please contact me.

Sincerely,



Rikki Hrenko-Browning
President, Utah Petroleum Association

CC:

Justin Harding, Chief of Staff, Office of the Governor
Ron Gordon, General Counsel, Office of the Governor
Rob Simmons, Energy Advisor & Executive Director, Office of Energy Development
Brian Steed, Executive Director, DNR
John Baza, Director, DOGM

David Ure, Director, SITLA
Kent Hoffman, Deputy State Director, Lands and Minerals, USO BLM