AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

Agenda Item: Visitor; Brian Meinhart, Policy Advisor and Region

Action Requested: Discussion

Parties to the Agreement:

Term Begins: **Term Ends:** **Grant Contract #:**

Summary:

Please see the attached request and relative documentation from Congressman Tipton's office.

Fiscal Impact:

Submitted by: Katherine Haase **Submitter's Email Address:** khaase@gunnisoncounty.org

Finance Review: ○ Required ◉ Not Required

Comments:

Reviewed by: Discharge Date:

County Attorney Review: ◉ Required ○ Not Required

Comments:
David may have some comments at the discussion.

Reveiwed by: GUNCOUNTY1\gstuhr Discharge Date: 5/6/2016 Certificate of Insurance Required

Yes ○ No ◉

County Manager Review:

Comments:

Reveiwed by: GUNCOUNTY1\mbirnie Discharge Date: 5/13/2016

○ Consent Agenda ○ Regular Agenda ○ Worksession Time Allotted: 45

Agenda Date: 5/24/2016

Revised April 2015

Katherine Haase

From: Meinhart, Brian <Brian.Meinhart@mail.house.gov>
Sent: Monday, April 18, 2016 1:45 PM
To: Katherine Haase
Subject: RE: Meeting with BoCC on Lease Swap Discussion Draft
Attachments: 2016-03-24_Lease Exchange Bill_DISCUSSION DRAFT.pdf

Hi Katherine,

Per Commissioner Chamberland's email I'd like to schedule a time to meet with the BoCC and other county staff to go through our discussion draft on a potential lease exchange (attached) and get their feedback. We have not introduced a bill at this time, but are gathering comments from communities and stakeholder organizations. We'd like to hear how folks feel about the proposal generally, pro or con; suggested changes to the draft; and any other feedback they'd like to provide.

Please note that the attached file is the draft as originally written, but I am extensively tracking suggested edits and other comments as we conduct our outreach.

Please let me know what days/times typically work best and we'll nail down a date.

Thank you!

Brian J. Meinhart
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Office of Congressman Scott Tipton
U.S. House of Representatives
Third District, Colorado
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Grand Junction, CO 81501
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[DISCUSSION DRAFT]

114TH CONGRESS
2D SESSION

H. R. _____

To facilitate the efficient extraction of mineral resources in western Colorado by authorizing and directing an exchange of Federal oil and gas leases located in an area important for its recreational resources for equivalent Federal oil and gas leases located near existing oil and gas development, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. TIPTON introduced the following bill; which was referred to the Committee on _____

A BILL

To facilitate the efficient extraction of mineral resources in western Colorado by authorizing and directing an exchange of Federal oil and gas leases located in an area important for its recreational resources for equivalent Federal oil and gas leases located near existing oil and gas development, 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,*

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Western Colorado Lease Exchange and Conservation Act of 2016".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Findings and purpose.
Sec. 3. Definitions.
Sec. 4. Lease exchange.
Sec. 5. Leases not subject to this Act.
Sec. 6. Maps, estimates, and descriptions.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—

(1) Congress finds that the lease exchanges authorized by this Act are in the public interest, including in—

(A) promoting significant job and other economic opportunities in a part of Colorado that has a long history of mining and natural resource development;

(B) providing jobs and economic opportunities for residents in western Colorado, while protecting the nationally recognized recreational opportunities in the Thompson Divide area;

(C) facilitating the development of an important natural resource in an area of western Colorado that values resource production as a

tool to stimulate local jobs and economic growth and promote United States energy independence;

(D) enhancing Federal, State, and local revenue collections to foster investment in Colorado infrastructure, education, and community programs that benefit all State residents; and

(E) ensuring Federal management of Federal land and minerals for recreational opportunities in an area of the State where recreation is important to Colorado residents' and visitors' way of life.

(2) Congress further finds the following:

(A) The lease exchanges authorized by this Act will not conflict with established management objectives on Federal lands subject to such leases, in that ensuring Federal management of the oil and gas mineral interests presently held by SG Interests in the Wolf Creek Prospect and North Coal Basin Prospect, and Ursa Piceance LLC in the Wolf Springs Prospect, will allow the United States to meet the recreation objectives for those areas and the oil and gas leasing objectives for the SG Interests

Exchange Lease Area and Ursa Piceance LLC Exchange Lease Area.

(B) The lease exchanges authorized by this Act will promote continued operation of the Wolf Creek Underground Gas Storage Field, which provides vital natural gas services to the surrounding communities, without any adverse impact to existing rights holders' operation of the Storage Field.

(C) The values of all oil and gas interests to be exchanged between the United States and SG Interests and between the United States and Ursa Piceance LLC are approximately equal in value.

(D) SG Interests or Ursa Piceance LLC will compensate the United States in the event that the values of the leases exchanged under this Act are not of equal value.

(b) PURPOSE.—The purpose of this Act is to require the Secretary of the Interior and the Secretary of Agriculture, in accordance with this Act, to complete, as expeditiously as possible, an exchange of existing oil and gas mineral interests held by SG Interests and Ursa Piceance LLC for equivalent new oil and gas mineral interests on

Federal lands located near existing oil and gas development.

SEC. 3. DEFINITIONS.

In this Act:

(1) FEDERAL LANDS OR INTERESTS THEREIN.—The term ''Federal lands or interests therein'' means any land or interest in land owned by the United States, depicted on the map entitled ''Western Colorado Lease Exchange and Conservation Act of 2015, Parcel – XX - YY'' and dated July 2015, that—

(A) contains mineral interests administered by the Secretary;

(B) is subject to a lease to third parties; or

(C) has been made available to the Secretary for exchange under this section through the concurrence of the head of the Federal agency administering such land or interest in land.

(2) SECRETARY.—The term ''Secretary'' means the Secretary of the Interior unless otherwise specified.

(3) SG INTERESTS.—The term ''SG Interests'' means SG Interests VII, Ltd., a privately held part-

nership organized under the laws of the State of Texas and owner of the oil and gas leases defined below as the Wolf Creek Prospect and the North Coal Basin Prospect, including any successor, assignee, affiliate, or joint venturer of SG Interests.

(4) NORTH COAL BASIN PROSPECT.—The term ''North Coal Basin Prospect'' means the approximately 21,167 acres of Federal leasehold rights being all right, title and interest owned by SG Interests in and to Federal Lease Nos. COC 66701, COC 66687, COC 66688, COC 66689, COC 66690, COC 66691, COC 66692, COC 66693, COC 66694, COC 66695, COC 66696, COC 66697, COC 66698, COC 66699, COC 66700, COC 66702, COC 66908, and COC 66909, which includes the leases subject to the pending Lake Ridge Unit application, depicted on the map entitled ''Western Colorado Lease Exchange and Conservation Act of 2015–Wolf Creek and North Coal Basin Prospects'' and dated July 2015.

(5) WOLF CREEK PROSPECT.—The term ''Wolf Creek Prospect'' means the approximately 9,204 acres of Federal leasehold operating rights being all right, title and interest owned by SG Interests in and to Federal Lease Nos. COC 007496, COC

007497, COC 007498, COC 007499, COC 007500, COC 007538, COC 008128, COC 015373, COC 0128018, COC 051645, and COC 051646, located in or adjacent to the Wolf Creek Underground Gas Storage Field, depicted on the map entitled ''Western Colorado Lease Exchange and Conservation Act of 2015–Wolf Creek and North Coal Basin Prospects'' and dated July 2015.

(6) WOLF CREEK UNDERGROUND GAS STORAGE FIELD.—The term ''Wolf Creek Underground Gas Storage Field'' means the underground storage area for natural gas and associated hydrocarbons in the Mesaverde Formation, that is—

(A) owned and operated by Black Hills Corporation;

(B) part of the natural gas transportation system known as the Rocky Mountain Natural Gas, LLC Pipeline; and

(C) located in the White River National Forest southwest of Carbondale, Colorado, depicted on the map entitled ''Western Colorado Lease Exchange and Conservation Act of 2015–Wolf Creek and North Coal Basin Prospects'' and dated July 2015.

(7) SG INTERESTS EXCHANGE LEASE AREA.—The term ''SG Interests Exchange Lease Area'' means the approximately 30,055 acres of Federal land divided into four Federal oil and gas leases in the Grand Mesa, Uncompahgre, and Gunnison National Forests located to the east of existing oil and gas developments in the Coal Basin Unit Area, Bull Mountain Unit Area, and Henderson Drilling and Spacing Unit Area and north of the existing oil and gas developments in the Iron Point Unit Area and depicted on the map entitled ''Western Colorado Lease Exchange and Conservation Act of 2015–SG Interests Exchange Lease Area'' and dated July 2015.

(8) URSA PICEANCE LLC.—The term ''Ursa Piceance LLC'' means Ursa Piceance LLC, a privately held company organized under the laws of the State of Delaware and owner of the Wolf Springs Prospect, including any successor, assignee, affiliate, or joint venturer of Ursa Piceance LLC.

(9) WOLF SPRINGS PROSPECT.—The term ''Wolf Springs Prospect'' means the approximately 12,020 acres of Federal leasehold operating rights being all right, title and interest owned by Ursa Piceance LLC in and to Federal Lease Nos. COC

66706, COC 66707, COC 66708, COC 66709, COC 66710, COC 66711, and COC 66712, located in or adjacent to the White River National Forest southwest of Carbondale, Colorado, depicted on the map entitled ''Western Colorado Lease Exchange and Conservation Act of 2015–Ursa Wolf Springs Prospect'' and dated July 2015.

(10) URSA EXCHANGE LEASE AREA.—The term ''Ursa Exchange Lease Area'' means the approximately 11,560 acres of Federal land divided into one Federal oil and gas lease in the White River National Forests, Blanco Ranger District located adjacent to existing oil and gas leases in the Sage Brush Hills Area and depicted on the map entitled ''Western Colorado Lease Exchange and Conservation Act of 2015–Ursa Sage Brush Hills Prospect'' dated July 2015.

SEC. 4. LEASE EXCHANGE.

(a) AUTHORIZATION TO CANCEL AND EXCHANGE CERTAIN EXISTING OIL AND GAS LEASES.—

(1) AUTHORITY.—

(A) SG INTERESTS.—Within 6 months after the date of the enactment of this Act, SG Interests shall have the option, without compensation, of exchanging all of its existing oil

and gas leases in the Wolf Creek Prospect and North Coal Basin Prospect for new oil and gas leases covering lands that are not subject to Federal oil and gas leases in the SG Interests Exchange Lease Area. Each of the new leases shall have a primary term of 10 years.

(B) URSA PICEANCE LLC.—Within 6 months after the date of the enactment of this Act, Ursa Piceance LLC shall have the option, without compensation, of exchanging all of its existing oil and gas leases in the Wolf Springs Prospect for new oil and gas leases covering lands that are not subject to Federal oil and gas leases in the Ursa Exchange Lease Area. Each of the new leases shall have a primary term of 10 years.

(2) ADMINISTRATIVE PROCESS.—

(A) IN GENERAL.—In implementing this subsection, the Secretary—

(i) shall follow the administrative procedures described in this paragraph; and

(ii) may not follow the land exchange procedures set forth in section 206 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1716).

(B) CATEGORICAL EXCLUSION.—Exchanges and assignments of leases under this subsection, including the issuance of new leases, shall be considered actions that are categorically excluded from the requirements for an environmental assessment or an environmental impact statement under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) or section 1508.4 of title 40, Code of Federal Regulations (or any successor regulation).

(C) COMPLIANCE WITH OTHER LAWS.—Exchanges and assignments of leases under this subsection conducted in accordance with this subsection are deemed to be in compliance with the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701 et seq.), the Mineral Leasing Act (30 U.S.C. 181 et seq.), and applicable land and resource management plans.

(3) CANCELLATION OF LEASES.—Except as provided in paragraph (4), as part of the lease exchange process under this section, the Secretary shall—

(A) cancel the North Coal Basin Prospect leases and the Wolf Springs Prospect leases that are exchanged under this section; and

(B) require that SG Interests and Ursa Piceance LLC consent in writing to cancellation of their respective leasehold interests in order for a lease to be cancelled and exchanged under this section.

(4) ASSIGNMENT OF LEASE.—In order to allow the continued operation of the Wolf Creek Underground Gas Storage Field, the Secretary—

(A) shall not cancel any of SG Interests Federal leasehold operating rights in the Wolf Creek Prospect; and

(B) shall approve an assignment of the SG Interests Federal leasehold operating rights in the Wolf Creek Prospect to a municipality or other entity that is willing and able to hold Federal leasehold operating rights, as determined by the Secretary.

(5) OPERATING RESTRICTIONS.—A new lease issued in exchange for an existing lease under this section shall be subject to such reasonable and customary surface use stipulations as may be applicable and appropriate and to be determined by the Secretary in conjunction with the Secretary of Agriculture, except that though no lease stipulation may

be imposed that makes development of the new lease unfeasible.

(6) USE OF FEDERAL LANDS OR INTERESTS THEREIN.—The Federal land or interests therein conveyed to SG Interests or Ursa Piceance LLC, respectively, under this Act shall be available to SG Interests or Ursa Piceance LLC in accordance with Bureau of Land Management lease terms for mineral extraction, exploration, and related activities subject to and in accordance with applicable Federal, State, and local laws pertaining to mineral extraction, exploration, and related activities on Federal lands.

(7) INTENT OF CONGRESS.—It is the intent of Congress that the lease exchanges directed by this Act shall be consummated not later than one year after the date of the enactment of this Act.

(b) EQUAL VALUE LEASE EXCHANGE.—

(1) SG INTERESTS LEASES.—

(A) IN GENERAL.—The value of the existing oil and gas leases in the Wolf Creek Prospect and North Coal Basin Prospect to be exchanged under this Act for new oil and gas leases in the SG Exchange Lease Area shall be equal, as determined by the Secretary based on

a valuation by the Department of the Interior's Office of Valuation Services.

(B) COMPENSATION BY SG INTERESTS.—If, after the Secretary conducts the valuation pursuant to paragraph (1)(A), the final appraised value of the oil and gas leases in the SG Exchange Lease Area received by SG Interests in exchanges under this section exceeds the value of the oil and gas leases in the Wolf Creek Prospect and North Coal Basin Prospect conveyed by SG Interests in such exchanges, SG Interests shall, as necessary to compensate the United States for the difference in such values—

(i) forfeit SG Exchange Lease Area acreage to the Secretary, consistent with the requirements of this Act and subject to the approval of the Secretary and SG Interests;

(ii) make a cash payment to the United States; or

(iii) use a combination of the methods described in clauses (i) and (ii), as agreed to by SG Interests and the Secretary.

(C) NO REQUIREMENT OF COMPENSATION BY THE UNITED STATES.—If the final appraised value of the oil and gas leases in the Wolf Creek Prospect and North Coal Basin Prospect conveyed by SG Interests in exchanges under this section exceeds the value of the oil and gas leases in the SG Exchange Lease Area received by SG Interests in such exchanges—

(i) the United States shall not make a payment to SG Interests to compensate SG Interests for the difference in such values; and

(ii) subject to applicable Federal statutes and regulations, the surplus value of the leases shall be considered to be a donation by SG Interests to the United States.

(2) URSA PICEANCE LLC LEASES.—

(A) IN GENERAL.—The value of the existing oil and gas leases in the Wolf Springs Prospect to be exchanged under this Act for new oil and gas leases in the Ursa Exchange Lease Area shall be equal or less as determined by the Secretary based on a valuation by the Department of the Interior's Office of Valuation Services.

(B) COMPENSATION BY URSA PICEANCE LLC.—If, after the Secretary conducts the valuation pursuant to subparagraph (2)(A), the final appraised value of the oil and gas leases in the Ursa Exchange Lease Area received by Ursa Piceance LLC in exchanges under this section exceeds the value of the oil and gas leases in the Wolf Springs Prospect conveyed by Ursa Piceance LLC in such exchanges, Ursa Piceance LLC shall, as necessary to compensate the United States for the difference in such values—

(i) forfeit Ursa Exchange Lease Area acreage to the Secretary, consistent with the requirements of this Act and subject to the approval of the Secretary and Ursa Piceance LLC;

(ii) make a cash payment to the United States; or

(iii) use a combination of the methods described in clauses (i) and (ii), as agreed to by Ursa Piceance LLC and the Secretary.

(C) NO REQUIREMENT OF COMPENSATION BY THE UNITED STATES.—If the final ap-

praised value of the oil and gas leases in the Wolf Springs Prospect conveyed by Ursa Piceance LLC in exchanges under this section exceeds the value of the oil and gas leases in the Ursa Exchange Lease Area received by Ursa Piceance LLC in exchanges under this section—

(i) the United States shall not make a payment to Ursa Piceance LLC to compensate Ursa Piceance for the difference in such values; and

(ii) subject to applicable Federal statutes and regulations, the surplus value of the leases shall be considered to be a donation by Ursa Piceance LLC to the United States.

(3) DISPOSITION AND USE OF PROCEEDS.—Any amounts received by the United States under this section shall be deposited in the Land and Water Conservation Fund and shall be made available, in such amounts as are provided in advance in appropriation Acts, to the Secretary to further the purposes of that Fund.

(4) LEASE VALUATION PROCESS.—

(A) REQUIREMENT.—The Department of the Interior's Office of Valuation Services shall value the leases exchanged under this Act in accordance with the Uniform Standards of Professional Appraisal Practice, subject to the procedures and conditions specified in this section.

(B) FAIR MARKET VALUE.—For purposes of ensuring an exchange of equal value—

(i) the value of the leases shall be appraised based on the fair market value of the projected volume of oil and gas resources in the Wolf Creek Prospect, North Coal Basin Prospect, SG Interests Lease Exchange Area, Wolf Springs Prospect and Ursa Lease Exchange Area;

(ii) the value of each lease in the Wolf Creek Prospect, North Coal Basin Prospect, and Wolf Springs Prospect shall be at least equal to the sum of—

(I) the amount paid by SG Interests or Ursa Piceance LLC, respectively, for the lease;

(II) interest on the value of the lease, accrued during the period beginning on the date on which the lease

was acquired and ending on the date on which the lease is exchanged under this Act; and

(III) the amount expended by SG Interests or Ursa Piceance LLC, respectively, for legal, environmental survey, permitting, physical survey, and all other expenses incurred for purposes of the exchange before the exchange date.

(C) DETERMINATION BY THE SECRETARY.—Not later than 45 days after the date of receipt of the appraisal report from the Office of Valuation Services, the Secretary shall—

(i) determine the value of the leases in the Wolf Creek Prospect, the North Coal Basin Prospect, the Wolf Springs Prospect, the SG Interests Exchange Lease Area, and the Ursa Exchange Lease Area; and

(ii) notify SG Interests and Ursa Piceance LLC of the determination.

(D) ARBITRATION.—

(i) SG INTERESTS.—If SG Interests does not agree with the appraised value of

the Wolf Creek Prospect, the North Coal Basin Prospect, or the SG Interests Exchange Lease Area leases determined by the Secretary under this section, the appraisals shall be submitted within 30 days to an arbiter appointed by the Secretary from a list of arbiters submitted to the Secretary by the American Arbitration Association. Such arbitration shall be binding on the Secretary and SG Interests for a period not to exceed two years insofar as concerns the value of the lands and interest in lands that were the subject of the appraisal. Any such arbitration must be completed within one year after the date of the enactment of this Act.

(ii) URSA PICEANCE LLC.—If Ursa Piceance LLC does not agree with the appraised value of the Wolf Springs Prospect or the Ursa Exchange Lease Area determined by the Secretary under this section, the appraisals shall be submitted within 30 days to an arbiter appointed by the Secretary from a list of arbiters submitted to the Secretary by the American Arbitration

Association. Such arbitration shall be binding on the Secretary and Ursa Piceance LLC for a period not to exceed two years insofar as concerns the value of the lands and interest in lands that were the subject of the appraisal. Any such arbitration must be completed within one year after the date of the enactment of this Act.

SEC. 5. LEASES NOT SUBJECT TO THIS ACT.

(a) AMENDMENTS TO EXISTING TERMS FOR LEASE NOT SUBJECT TO THIS ACT.—The Secretary shall not impose new or more restrictive stipulations to any lease that is not subject to this Act in accordance with any land management plan that was not final on the date the lease was issued.

(b) MANAGEMENT OF LEASES NOT SUBJECT TO THIS ACT.—The Secretary shall manage any lease that is not subject to this Act in a manner consistent with the terms of such lease, and shall not require any action as a permitting condition inconsistent with such terms, subject to applicable Federal statutes and regulations.

SEC. 6. MAPS, ESTIMATES, AND DESCRIPTIONS.

(a) MINOR ERRORS.—The Secretary and SG Interests or the Secretary and Ursa Piceance LLC may correct, by mutual agreement, any minor errors in any map, acre-

age estimate, or description of any land for purposes of any lease exchanged under this Act.

(b) CONFLICT.—If there is a conflict between a map, an acreage estimate, or a description of land in this Act, the map shall control unless the Secretary and SG Interests or the Secretary and Ursa Piceance LLC mutually agree otherwise.

(c) AVAILABILITY.—As soon as practicable after the date of enactment of this Act, the Secretary shall file and make available for public inspection in the Uncompahgre and Grand Junction Field Offices of the Bureau of Land Management, each map referred to in this Act.