



April 2, 2020

The Honorable Donald J. Trump
President
The White House
1600 Pennsylvania Ave. NW
Washington, DC 20500

Dear Mr. President:

The Louisiana Mid-Continent Oil & Gas Association (LMOGA) represents all sectors of the oil and gas industry operating in the Gulf of Mexico and Louisiana. We thank you for your tremendous support for American energy and your great leadership during our current public health and economic crises. We especially appreciate your support for our American energy industry and your recent acknowledgement of the impacts the current crises are having on our sector. Under your leadership our offshore members have produced record-breaking levels of American energy; however, due to the current crises, our country's energy independence is at risk. Under your leadership and support we have no doubt we will emerge from these crises.

We write to call your attention to a need for urgent action to protect our integral piece of your American Energy legacy—the offshore energy sector in the Gulf of Mexico. As you are aware the global oil markets are experiencing a downturn not felt in nearly two decades, due in part to historic demand reduction caused by the COVID-19 response. Some analysts warn demand could fall by 50% before the COVID-19 pandemic is over, causing oil markets to be significantly challenged by the impacts of the global supply and pricing war coupled with the global pandemic, which has surfaced in recent weeks.

These circumstances have very real impacts here in our local Gulf Coast communities. Our trade association represents the energy producers in the Gulf of Mexico who produce nearly 20% of our nation's energy, refine 45% of the total U.S. petroleum, and process 51% of the nation's natural gas. Our industry supports thousands of high wage jobs across the Gulf South. In Louisiana alone, the oil and gas industry supports nearly 6% of the state's revenue and 2% of the state's workforce. While the impact to upstream companies is drastic, midstream, downstream, and industry support services across the country are likewise experiencing significant impacts. Some service companies were already anticipating lower demand for their equipment and services prior to the COVID-19 outbreak and oil price wars. Recent events have forced work orders to be rescinded or cut and equipment to become idle across the energy sector. If left unattended, significant oil and natural gas production may be shut-in within a few short weeks and our members will be forced to further accelerate furloughs and layoffs.

Our American ingenuity built the energy renaissance our country has enjoyed, and we firmly believe our industry is resilient and will recover from these current crises. However, we find ourselves in a circumstance where there is a need for urgent and bold action by your

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Administration to make survival during these crises possible and recovery probable. Specifically, some targeted actions are suggested below.

Royalty relief: As our producers work to supply energy needed to fuel our nation's economy, especially in times of crisis, we support royalty suspension or reduction on production associated with federal leases as a temporary emergency measure that reflects certain economic environments and acknowledges price conditions and thresholds. Our Gulf economy is powered by diverse large and small operators who share a reliance on the global market and dependable midstream and downstream service companies throughout our bayou communities and the continental U.S. Any royalty relief measures should be applied broadly and not for a specific set of producers. The Outer Continental Shelf Lands Act and Deepwater Royalty Relief Act give the Secretary of the Interior discretionary authority to reduce royalty rates for producers when recovery of hydrocarbons is sub-economic or uneconomic. As such, the circumstances of today call for broad and immediate action to reduce or suspend royalty rates for all producers alike to ensure that a robust energy industry remains viable to meet the energy demands and provide national security for our great nation.

Lease term extensions: Grant a 3-year extension of the primary lease term of non-producing federal oil and gas leases in the Gulf of Mexico to any company requesting one on an expedited or even automatic basis, and similarly grant or extend Suspensions of Operations (SOO) and Suspensions of Production (SOP), to the fullest length allowed by law on federal oil and gas producing leases, or leases determined capable of producing, that have been properly maintained in full force and effect by lessees under applicable regulations. Doing so will allow companies and others across the federal Outer Continental Shelf (OCS) to better map out their spending and work plans for the years ahead and preserve cash to maintain liquidity in the short term.

Decommissioning obligations: Grant an extension of time for the management of Asset Retirement Obligations (AROs) to offshore operators or provide additional flexibility in the decommissioning obligations associated with current and expired offshore leases.

Storage capacity: Global crude oil oversupply will test storage limits in the first half of 2020. If left unattended, production could be forced to shut-in within a few short weeks. Consider appropriate mechanisms to ensure critical inactive infrastructure is protected in the event production is shut in (i.e. rights of ways, pipelines etc.)

Thank you for your timely attention to these requests. We are committed to a full recovery of our offshore energy industry for the safety and security of the nation and stand ready to assist you to restore confidence in our economy again.

Sincerely,



Tyler Gray
President & General Counsel
Louisiana Mid-Continent Oil & Gas Association

cc: The Honorable Mike Pence, Vice President of the United States
The Honorable David Bernhardt, Secretary of Interior
The Honorable Dan Brouillette, Secretary of Energy
The Honorable Kate MacGregor, Deputy Secretary of Interior
The Honorable Bill Cassidy, U.S. Senator
The Honorable John Kennedy, U.S. Senator
The Honorable Steve Scalise, U.S. Representative
The Honorable Cedric Richmond, U.S. Representative
The Honorable Ralph Abraham, U.S. Representative
The Honorable Garret Graves, U.S. Representative
The Honorable Mike Johnson, U.S. Representative
The Honorable Clay Higgins, U.S. Representative

LMOGA Offshore Committee Members:

- BP America
- BHP
- Chevron U.S.A. Inc.
- Cox Oil
- Enven Energy Corporation
- ExxonMobil Corporation
- Hess Corporation
- Kosmos Energy
- Murphy Oil Corporation
- Occidental Petroleum Corporation
- Shell