

## Comparison of Oil and Natural Gas Exploration and Production Related Provisions in 2005 House and Senate Energy Legislation

| House<br>H.R. 6, The Energy Policy Act of 2005  | Senate<br>S. 10, The Energy Policy Act of 2005 | Domenici-Barton Energy Policy Act of<br>2005 (H.R. 6)   |
|---|--|---|
| <i>Resource Issues</i>  |  |   |
| Establishes permanent RIK program at DOI. Allows the Secretary of the Interior to direct RIK volumes to the Strategic Petroleum Reserve, small refiners and Low Income Energy Assistance programs.  | Senate provision same as House Bill            | Establishes permanent RIK program at DOI. Allows the Secretary of the Interior to direct RIK volumes to the Strategic Petroleum Reserve, small refiners and Low Income Energy Assistance programs   |
| Directs the Secretary of the Interior to provide royalty relief for both onshore and offshore marginal oil and gas production during periods of low commodity prices.   | Senate provision same as House Bill            | Directs the Secretary of the Interior to provide royalty relief for both onshore and offshore marginal oil and gas production during periods of low commodity prices.   |
| Requires royalty incentives for ultra-deep gas wells in the shallow water of the Gulf of Mexico (less than 400 meters). Relief would be provided during periods of low commodity prices at the amount of 35 bcf of natural gas at depths 20,000 feet and below<br>Requires royalty incentives for deep gas wells at depths between 200 and 400 meters no less than the suspension volumes for deep wells in shallow waters. | Senate provision same as House Bill            | Requires royalty incentives for ultra-deep gas wells in the shallow water of the Gulf of Mexico (less than 400 meters). Relief would be provided during periods of low commodity prices at the amount of 35 bcf of natural gas at depths 20,000 feet and below<br>Requires royalty incentives for deep gas wells at depths between 200 and 400 meters no less than the suspension volumes for deep wells in shallow waters. |
| Increases the lease acreage limitation established under the Mineral Leasing Act to allow producers to retain their “held by production” acreage.   | Senate provision same as House Bill.           | Increases the lease acreage limitation established under the Mineral Leasing Act to allow producers to retain their “held by production” acreage.   |
| Allows the Secretary of the Interior to grant royalty credits to reimburse lessees under the Mineral Leasing Act for analyses, documentation or related study required under the National Environmental Policy Act.   | No comparable provision.                       | No provision  |

| <p align="center"><b>House</b><br/><b>H.R. 6, The Energy Policy Act of 2005</b></p>  | <p align="center"><b>Senate</b><br/><b>S. 10, The Energy Policy Act of 2005</b></p>  | <p align="center"><b>Domenici-Barton Energy Policy Act of 2005 (H.R. 6)</b></p>  |
|--|--|--|
| <p>Requires coordinated program with Dept. of Agriculture to remediate, reclaim, and close orphaned, abandoned, or idle wells</p>  | <p>Senate provision same as House Bill</p>   | <p>Requires coordinated program with Dept. of Agriculture to remediate, reclaim, and close orphaned, abandoned, or idle wells</p>  |
| <p>Provides royalty incentives during the next five years for development of oil and gas resources located in the Western and Central Gulf of Mexico, at the following depths and volumes:</p> <ol style="list-style-type: none"> <li>1) 5 million barrels of oil equivalent for each lease in depths of 400-800 meters</li> <li>2) 9 million barrels of oil equivalent for each lease in depths 800-1,600 meters</li> <li>3) 12 million barrels of oil equivalent for each lease in depths 1,600-2,000 meters</li> <li>4) 16 million barrels of oil equivalent for each lease in depths greater than 2,000 meters.</li> </ol> | <p>Senate provision same as House Bill.</p>  | <p>Provides royalty incentives during the next five years for development of oil and gas resources located in the Western and Central Gulf of Mexico, at the following depths and volumes:</p> <ol style="list-style-type: none"> <li>1) 5 million barrels of oil equivalent for each lease in depths of 400-800 meters</li> <li>2) 9 million barrels of oil equivalent for each lease in depths 800-1,600 meters</li> <li>3) 12 million barrels of oil equivalent for each lease in depths 1,600-2,000 meters</li> <li>4) 16 million barrels of oil equivalent for each lease in depths greater than 2,000 meters.</li> </ol> |
| <p>Requires royalty incentive of 50 bcf for onshore deep gas wells</p>   | <p>No comparable provision</p>   | <p>No provision</p>  |
| <p>Requires royalty incentive for injection of carbon dioxide or other appropriate gas or matter for the purpose of enhanced oil or gas production.</p>  | <p>No comparable provision</p>   | <p>Authorizes royalty incentive for injection of carbon dioxide or other appropriate gas or matter for the purpose of enhanced oil or gas production.</p>  |
| <p>No comparable provision</p>   | <p>Requires the Secretary of Interior to survey all OCS resources currently in production and under moratoria to develop an inventory of potential oil and gas resources of the U.S.</p>   | <p>Requires the Secretary of Interior to survey all OCS resources currently in production and under moratoria to develop an inventory of potential oil and gas resources of the U.S.</p>   |
| <p>Amends the Coastal Zone Management Act (CZMA) establishing a 120 day deadline for closure of CZMA administrative record. Establishes a 120 day deadline for decisions on appeals of consistency determinations, subject to NEPA compliance.</p>   | <p>Amends CZMA establishing a 270 day deadline for closure of the CZMA administrative record, unless the Sec. of Interior stays the closing of the record in order to receive supplemental or clarifying information. Establishes a 90 day deadline for decisions on consistency determination appeals, unless the Sec. publishes a Federal Register notice detailing why an appeal decision cannot be issued. Sec. shall issue a decision not later than 45 days after the Federal Register notice publication.</p> | <p>Amends the Coastal Zone Management Act (CZMA) establishing a 160-day deadline for closure of the CZMA administrative record, unless the Sec. of Interior stays the closing of the record to receive supplemental or clarifying information. Secretary may only stay the record for a period not exceeding 60 days. Establishes a 60 day deadline for decisions on consistency determination appeals. Secretary shall issue a decision not later than 15 days after the Federal register notice publication.</p>   |

| <p align="center"><b>House</b><br/><b>H.R. 6, The Energy Policy Act of 2005</b></p>  | <p align="center"><b>Senate</b><br/><b>S. 10, The Energy Policy Act of 2005</b></p>                                   | <p align="center"><b>Domenici-Barton Energy Policy Act of 2005 (H.R. 6)</b></p>   |
|--|---|---|
| <p>Requires the Dept. of Interior and the Dept. of Agriculture to collect and use nationwide information on public challenges to manage the oil and gas programs within their agencies.</p>  | <p>National Academy of Public Administration commissioned to review federal onshore oil and gas leasing practices</p> | <p>Directs the Dept. of Interior and the Dept. of Agriculture to perform an internal review of oil and gas leasing and permitting practices and provide recommendations for improving and expediting those processes and report those findings to Congress within six months.</p>   |
| <p>Modifies the EPCA resource assessment to require a more comprehensive evaluation of recoverable resources as well as identifying all federal permitting restrictions associated with granting permits, post lease restrictions and barriers to transportation.</p>                                    | <p>No comparable provision</p>  | <p>Modifies the EPCA resource assessment to require a more comprehensive evaluation of recoverable resources as well as identifying all federal permitting restrictions associated with granting permits, post lease restrictions and barriers to transportation.</p>   |
| <p>Requires the creation of an Office of Federal Energy Project Coordination within the Executive Office of the President</p>  | <p>No comparable provision.</p>   | <p>No provisions</p>  |
| <p>Six Western offices of the BLM identified for a federal permit coordination demonstration project. Requires employees of the consulting federal agencies to deploy staff to work with BLM land managers on all permits and land use planning documents in order to streamline federal activities.</p> | <p>Senate provisions same as House Bill.</p>  | <p>Seven Western offices of the BLM identified for a federal permit coordination demonstration project. Requires employees of the consulting federal agencies to deploy staff to work with BLM land managers on all permits and land use planning documents in order to streamline federal activities.<br/>Establishes a "Permit Processing Improvement Fund" from FY 2006-2015 which will be available without further appropriations for the pilot program.<br/>Prohibits the BLM from implementing any rulemaking during the period of the Pilot Permitting Program to charge costs related to processing Applications for Permits to Drill.</p> |
| <p>Requires action on permit approvals once a completed Application for Permit to Drill is submitted.</p>  | <p>No comparable provision.</p>   | <p>Requires action on permit approvals once a completed Application for Permit to Drill is submitted.</p>   |

| House<br>H.R. 6, The Energy Policy Act of 2005  | Senate<br>S. 10, The Energy Policy Act of 2005  | Domenici-Barton Energy Policy Act of<br>2005 (H.R. 6)   |
|---|---|---|
| Excludes seven limited actions from further NEPA review.  | No comparable provision.  | Provides that five limited oil and gas activities on federal lands will be subject to a rebuttable presumption that the use of a categorical exclusion under NEPA would apply if the activity is conducted pursuant to the Mineral Leasing Act. |
| Requires the Secretary to review current policies with respect to management of federal subsurface oil and gas development activities and their effects in the privately owned surface.   | Senate provision same as House Bill.  | Requires the Secretary to review current policies with respect to management of federal subsurface oil and gas development activities and their effects in the privately owned surface.   |
| Allows for the repurchasing of leases that are not allowed to be developed or explored  | No comparable provision   | No provision  |
| Provides for a review of federal resource development conflicts related to coal and coalbed natural gas in the Powder River Basin   | Senate provision same as House Bill.  | Provides for a review of federal resource development conflicts related to coal and coalbed natural gas in the Powder River Basin   |
| No provision  | Requires a 12 month National Academy of Sciences study of CBM effects on surface and water resources. | Requires a 12 month National Academy of Sciences study of CBM effects on surface and water resources.   |
| Creates “Domestic Offshore Energy Reimbursement Program” to provide funding to states where offshore development occurs using funds from offshore royalties. Funds are subject to appropriations.   | Similar provision in Senate Bill.   | Language included giving \$1 billion in direct spending over four years for coastal protection to states that currently allow oil and gas exploration off their shores  |
| Provides for limited development of the Arctic National Wildlife Refuge.  | No comparable provision.  | No provision  |
| <i><b>Tax Issues</b></i>  |   |   |
| Non-elective amortization of delay rental payments incurred in connection with the development of domestic oil and gas wells over 24 months, beginning with the month expenses are incurred with half-year convention. Applicable to such expenses incurred in taxable years beginning after Date of Enactment. Does not include transition rule allowing for 36-month amortization of suspended delay rentals. | No comparable provision   | No provision  |

| House<br>H.R. 6, The Energy Policy Act of 2005  | Senate<br>S. 10, The Energy Policy Act of 2005   | Domenici-Barton Energy Policy Act of<br>2005 (H.R. 6)   |
|---|--|---|
| Non-elective amortization of all geological and geophysical (G&G) expenditures incurred in connection with the exploration and development of domestic sources of oil or gas costs over 24 months, with half-year convention, beginning with the month expenses incurred. Applicable to such costs paid or incurred in taxable years beginning after Date of Enactment. | No comparable provision  | Non-elective amortization of all geological and geophysical (G&G) expenditures incurred in connection with the exploration and development of domestic sources of oil or gas costs over 24 months, with half-year convention, beginning with the month expenses incurred. Applicable to such costs paid or incurred in taxable years beginning after Date of Enactment. |
| Natural gas gathering lines treated as 7-year property for both regular and minimum tax purposes (including depreciation methods).  | No comparable provision  | Natural gas gathering lines treated as 7-year property with AMT relief.   |
| Small refiner exception to oil depletion deduction definition changed to exclude those refiners with “average daily refinery runs” that exceed 75,000 barrels.  | No comparable provision  | Small refiner exception to oil depletion deduction definition changed to exclude those refiners with “average daily refinery runs” that exceed 75,000 barrels.  |
| Temporarily allows the EOR tax credit against AMT after 12/31/05 through 12/31/07.  | No comparable provision  | No provision  |
| No comparable provision   | EOR tax credit increased to 20 percent for new or modified projects using CO <sub>2</sub> (property placed in service after 12/31/2005 and before 1/1/2010). | No provision  |
| No comparable provision   | EOR tax credit available for onshore deep gas wells (>20,000 ft.) (property placed in service after 12/31/2005 and before 1/1/2010).                         | No provision  |
| <i>Other Issues</i>   |  |   |
| Definition of “Underground Injection” in the Safe Drinking Water Act modified to exclude hydraulic fracturing   | No comparable provision.   | Definition of “Underground Injection” in the Safe Drinking Water Act modified to exclude hydraulic fracturing (except for diesel fuels)   |
| Regulation of stormwater discharges from E&P facilities limited   | No comparable provision.   | Regulation of stormwater discharges from E&P facilities limited   |
| FERC required to create or to authorize the creation of a transparent gas price reporting system. (De minimis market presence excluded from reporting.)   | FERC allowed to create or to authorize the creation of a transparent gas price reporting system. (De minimis market presence excluded from reporting.)       | FERC allowed to create or to authorize the creation of a transparent gas price reporting system. (De minimis market presence excluded from reporting.)  |

| House<br>H.R. 6, The Energy Policy Act of 2005  | Senate<br>S. 10, The Energy Policy Act of 2005  | Domenici-Barton Energy Policy Act of<br>2005 (H.R. 6)   |
|---|---|---|
| DOE authorized to conduct oil and gas R&D program. Specific to domestic/independent production  | DOE authorized to conduct oil and gas R&D program. Specific to domestic/independent production  | DOE authorized to conduct oil and gas R&D program. Specific to domestic/independent production  |
| DOE directed to conduct R&D program for ultra-deep and unconventional natural gas and other petroleum resource E&P related activities | No comparable provision   | DOE directed to conduct R&D program for ultra-deep and unconventional natural gas and other petroleum resource E&P related activities                               |
| No comparable provision   | DOE directed to establish an R&D program to maximize the productive capacity of marginal wells and reservoirs (low-volume gas)                                      | DOE directed to establish an R&D program to maximize the productive capacity of marginal wells and reservoirs (low-volume gas)                                      |
| DOE to conduct study of workforce issues in the oil/natural gas/mining areas; report back to Congress within 12 months                | National Academy of Sciences (under DOE) to conduct study of workforce issues in the oil/natural gas/mining areas; DOE to report back to Congress within 24 months. | National Academy of Sciences (under DOE) to conduct study of workforce issues in the oil/natural gas/mining areas; DOE to report back to Congress within 24 months. |