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The 2019 Survey on Oil & Gas

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Utah

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I. Introduction

While there were no significant oil and gas judicial or regulatory developments during the examination period, the Utah 2019 General Session generated two successful legislative amendments and a concurrent resolution relevant to oil and gas owners and operators.

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II. Legislative and Regulatory Developments

A. Legislative Developments¹

S.B. 78 Brings Detail to Escheat of Mineral Interests

Senate Bill 78, effective May 14, 2019, added substantial clarity to the state’s intestate escheat statute,² which previously read in its entirety: “If there is no taker under the provisions of this chapter, the intestate estate passes to the state for the benefit of the state school fund.”³ The revamped section codifies that the Utah School and Institutional Trust Lands Administration (“SITLA”) shall administer valuable mineral interests or mineral proceeds, which the state acquires by operation of law “upon the decedent’s death,”⁴ in accordance with SITLA’s management of other state-owned minerals.⁵ The amendments also authorize SITLA to initiate quiet title actions to verify state mineral interests acquired by escheat.⁶ Notably, the new section § 75-2-105(6) requires an “operator, owner, or payor,”⁷ upon determining that there is no locatable heir entitled to a decedent’s mineral interests, to submit pertinent information related to such mineral interests to SITLA.⁸

1. This section is intended to summarize each bill’s key components and should not be considered an exhaustive summary of any particular bill or resolution.

2. S.B. 78, 2019 Gen. Sess. (Utah 2019) (amending UTAH CODE ANN. § 75-2-105 (LexisNexis 2019)).

3. UTAH CODE ANN. § 75-2-105 (LexisNexis 2018).

4. *Id.* § 75-2-105(2) (LexisNexis 2019).

5. *See id.* § 75-2-105(3) (“[SITLA] shall administer the interests in the minerals or mineral proceeds for the support of the common schools pursuant to Sections 53C-1-102 and 53C-1-302, but may exercise its discretion to abandon or decline to administer property of no value or of insufficient value to justify its collection or continued administration.”).

6. *See id.* §§ 75-2-105(4)–(5) (LexisNexis 2019).

7. *Id.* § 75-2-105(6)(a) (LexisNexis 2019); *see also id.* § 75-2-105(1)(e) (LexisNexis 2019) (defining “payor” to include any party “who undertakes or has a legal obligation to distribute any mineral proceeds.”).

8. *See id.* § 75-2-105(6)(a) (LexisNexis 2019) (Such report must include “the information in the operator’s, owner’s, or payor’s possession concerning the identity of the decedent, the results of a good faith search for heirs specified in Section 75-2-103, the property interest from which the minerals or mineral proceeds derive, and any potential heir.”); *see also id.* § 75-2-105(6)(b) (this information must be submitted to SITLA within 180 days of the information being obtained).

H.B. 389 Adds Procedural Guidance for Recompletion/Workover Tax Credit

House Bill 389, also effective May 14, 2019, made numerous changes to the state tax code, including to the income tax credit for investments in recompletion and workover operations available under section 59-5-102(7).⁹ The amendments introduce a statutory procedure under new subsection § 59-5-102(7)(d) that a taxpayer must follow to qualify for this credit.¹⁰

S.C.R. 8 Expresses Support for Increased Development and LNG Exports

Senate Concurrent Resolution 8 declared the Utah legislature's bicameral support for increased oil and gas development in the state and, in furtherance of that goal, for promoting stakeholder collaboration and infrastructure improvements that will foster exports of liquified natural gas to foreign markets.¹¹

B. Regulatory Updates

There were no significant rulemakings by Utah Division of Oil, Gas and Mining or other administrative actions that impact oil and gas development during the examination period of this survey.

III. Case Law Developments

There were no notable oil and gas-related decisions entered by state courts of Utah during the examination period of this survey.

9. See H.B. 389, 2019 Gen. Sess. (Utah 2019).

10. *Id.*

11. See S. Con. Res. 8, 2019 Gen. Sess. (Utah 2019).