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TIPRO

Texas Independent Producers and Royalty Owners Association

Texas' oil and natural gas industry closes out 2021 with positive momentum, job growth

The state's energy industry saw additional expansion rounding out 2021, with elevated employment rates accompanying rising drilling activity across the Lone Star State. Updated employment figures for the Texas upstream sector released in late December showed continued job gains, as oil and gas companies added more positions to the Texas workforce. TIPRO reported before the years' end that Texas upstream employment for November 2021 totaled 185,800, an increase of 2,400 exploration and production jobs from revised October numbers, and the seventh consecutive month of job growth for the industry since April. Texas upstream employment in November 2021 represented an increase of 24,800 positions compared to November 2020, reflecting a rise of 23,800 jobs in the services sector and increase of 1,000 jobs in oil and natural gas extraction in the past year, according to TIPRO.

"The Texas oil and natural gas employment trends outlined in our latest analysis illustrate the industry's continued recovery and positive economic impact to the state," said Ed Longanecker, president of TIPRO. "Despite concerns over the latest Omicron variant and any related restrictions to economic activity, underinvestment in the oil and gas sector, along with growing demand for our product projected for next year, will likely lead to tighter supplies and higher prices. An overly restrictive regulatory environment for the U.S. oil and natural gas industry would further exacerbate both and add to inflationary pressures," concluded Longanecker.

When reviewing available data for the top three oil and natural gas posted occupations in November across all business sectors in Texas, TIPRO noted that heavy and tractor-trailer truck driver positions increased by 18,490 from 2015-2020 (10.2 percent), outpacing the national growth rate of 6.1 percent. The occupation is projected to increase by 12,342 from 2020-2025 (6.2 percent), surpassing the national projected growth rate of 4.3 percent. Meanwhile, maintenance and repair workers increased by 3,430 from 2015-2020 (2.9 percent), outpacing the national growth rate of 2.0 percent. The occupation is projected to grow by 9,348 from 2020-2025 (7.6 percent), nearly double of the national projected growth rate of 4.0 percent. And finally, industrial engineers expanded by 5,371 from 2015-2020 (34.9 percent), outperforming the national growth rate of 16.6 percent. The occupation is projected to increase by 1,821 from 2020-2025 (8.8 percent), which would also pass the national growth rate average. This data indicates a growing demand for these occupations with oil and natural gas competing against other sectors in Texas for talent.

Read more on Page 6...

New report shows Texas LNG will be key to a sustainable, reliable energy future

Natural gas produced in Texas will continue to be essential to increase reliability and energy access, further propel global emission reductions and transform global energy markets. That's the conclusion of a new report by Texans for Natural Gas (TNG), a project of the Texas Independent Producers and Royalty Owners Association (TIPRO). TNG's whitepaper, titled *Texas LNG: Poised to Meet the World's Energy and Climate Needs*, closely examines how the natural gas produced in Texas, increasingly marketed in liquefied state, will be key to a sustainable and reliable global energy future. The analysis also offers a primer on what LNG is and how it's regulated, LNG's history in the United States and a break-down of the current market and future of U.S. LNG, particularly along the Gulf Coast and in Texas.

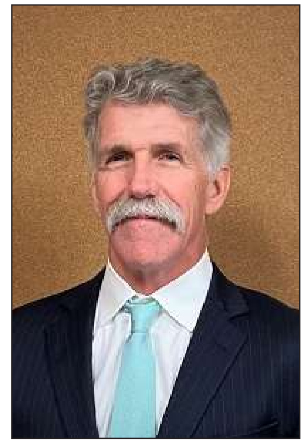
"Texas remains the leading producer of natural gas in the U.S. and is helping to change the world by providing access to this foundational fuel source to meet growing energy demands," said Ed Longanecker, president of TIPRO. "By embracing Texas LNG, countries around the world are choosing a cleaner, more efficient, more sustainable energy source to power their economies and heat their homes. This report demonstrates the progress this industry has made in recent years and makes the case for the key role Texas natural gas will play for generations to come."

Key facts from the new TNG report:

- **Leading energy exporter**: In 2019, America became the world's third largest LNG exporter, and the U.S. Energy Information Administration forecasts it will become the largest LNG exporter in 2022.
- **Texas plays a major role in the success of U.S. LNG**: Texas single-handedly accounts for roughly a quarter of U.S. natural gas production. In fact, more than 85 percent of the additional planned U.S. LNG export capacity will be located in the Gulf of Mexico and supplied largely by Texas natural gas.
- **50 percent less emissions**: U.S. LNG is far cleaner than coal when used for power generation in countries like China, India and Germany.
- **143 percent lower flaring intensity than Russia**: Russia's flaring intensity is 143 percent higher than the United States, and 239 percent higher than Texas' Permian Basin, demonstrating that America produces natural gas in a much more sustainable fashion than other global producers.

TIPRO members may review the LNG report by visiting: bit.ly/3FAMR9r.

Chairman's message



Brent Hopkins

Dear TIPRO Members,

Goodbye 2021, the year that started with a party change in Washington, D.C., and quickly led to the realization by industry of ramifications a Green New Deal-focused platform would have on the U.S. energy sector. The media and financial markets jumped on the "Energy Transition" bandwagon, and many advocated for a complete denial of investments in domestic oil and gas. These statements contributed directly to the passage of Senate Bill 13 in Texas, which mandates the state to divest from companies that boycott fossil fuels. By the end of 2021, the implications of supporting an unrealistic campaign to depend just on energy sources that have a low energy density that are unreliable, and by some standards far from green, are clear, leaving some countries literally cold and in the dark. This is being played out right now with Europeans paying the price as natural gas costs 10 times the amount of what is it does here in the United States. To counter this energy crisis, the EU has suddenly decided that nuclear- and natural gas-generated electricity is part of the energy solution, so they are now considered green. This is interesting, especially in light of various resolutions adopted at COP26 and the flotilla of U.S. LNG cargo ships headed to Europe to help address their energy crisis.

Where does all this leave us as we start 2022?

One of the world's largest investment companies, BlackRock, recently sent the leadership of their energy investment team to meet with TIPRO to clarify their position on investing in U.S. energy producers, and hopefully the position of the larger investment community. My take on the discussions is that the large financial groups are in no way going to completely remove themselves from any part of the energy sector. They understand the importance the fossil fuel industry plays in the current energy mix and the value fossil fuel supplies provide to the nation's economy and security. BlackRock, for instance, has $259 billion in assets invested in fossil fuel companies globally, including over $90 billion invested directly in Texas. All of this is obviously welcome news for the industry, but it is still unsettling because of a disconnect with sound bites highlighted in the media and by some elected officials. TIPRO members can read more about BlackRock's investments and commitment to our industry at: https://bit.ly/31CkCIE.

Having a measure of the Environmental, Social and Corporate Governance (ESG) criteria of a company is a way to quantify the standards of the operations for a "sector," which makes perfect sense, but a comparison between an electric vehicle manufacturer in California and a strip mine in the Congo is unrealistic. However, one cannot exist without the other. The U.S. oil and natural gas industry remains one of the most heavily regulated sectors in our country, and we are supplying energy here and abroad that far exceeds the environmental standards of other developed nations, while remaining a leader in clean air and water globally. To quote BlackRock's CEO, Larry Fink, "Hydrocarbon companies are part of the solution, not the problem... If we're still going to be dependent on gas oil… we need to be thoughtful about working with hydrocarbon companies instead of asking a Gulf country to raise its production." Perhaps one day we can stop politicizing energy security and actually work together on common goals for the benefit of our country and planet, a tall order, I know.

Meanwhile, as these conversations continue leading into this new year, TIPRO's team is also working on the agenda for our 76th Annual Convention in Austin on March 28-29. Governor Greg Abbott, Diamondback Energy CEO Travis Stice and Railroad Commission Chairman Wayne Christian are already confirmed for this TIPRO event. Please make your plans to join us for this conference.

This year, the association also will yet again lead on variety of industry campaigns, programs and advocacy efforts to protect and promote the Texas oil and natural gas industry. We are grateful for your support and hope you will directly engage in these efforts in the coming months.

Kind regards,
Brent Hopkins

ICYMI: TIPRO's 75th anniversary video tribute available for members

In celebration of the Texas Independent Producers and Royalty Owners Association's (TIPRO) 75th anniversary, the organization over the holidays released a special tribute video dedicated to the milestone. Since 1946, TIPRO has fiercely advocated to protect the ability to explore for and produce oil and natural gas and made many contributions on behalf of the Texas oil and natural gas industry. The last seven decades, TIPRO has also continued to evolve and adapt to educate and inform officeholders, policymakers and the public about the importance of domestic oil and natural gas development and advocate for sound energy policies and regulations on behalf of the association's membership.

TIPRO appreciates the numerous members and elected officials who helped the association celebrate and commemorate this important anniversary, and also congratulated TIPRO by sharing a tribute with the organization. Please take a moment to watch some of the submitted videos and historical photos by visiting: https://bit.ly/TIPRO_Anniversary.

TIPRO CALENDAR OF EVENTS

FEBRUARY 9-11, 2022	MARCH 28-29, 2022	MAY 16-18, 2022
HOUSTON — 2022 NAPE Summit and Expo. For information, please email info@napeexpo.com.	AUSTIN — TIPRO's 76th Annual Convention. For information, please email info@tipro.org.	FORT WORTH — DUG Permian & Eagle Ford Conference and Expo. For information, please email conferences@hartenergy.com.

Railroad Commission to host critical designation workshops in January

The Texas Railroad Commission in January will host several in-person training workshops reviewing new rule requirements for critical designation of natural gas infrastructure. Before the end of 2021, Railroad commissioners signed off on new state regulations and forms concerning the critical designation of natural gas infrastructure during energy emergencies as specified under Senate Bill 3 and House Bill 3648 passed by the 87th Legislature last year. The agency is now seeking to inform regulated stakeholders and companies about the new requirements that will be implemented under 16 Texas Administrative Code (TAC) §3.65, relating to Critical Designation of Natural Gas Infrastructure, and filing of the following two forms:

- Form CI-D, *Acknowledgement of Critical Customer/Critical Gas Supplier Designation*, and its attachment would be submitted by an operator of a facility designated as critical acknowledging the facility's critical status.
- Form CI-X, *Critical Designation Exception Application*, and its attachment would be submitted by an operator certifying a facility seeks an exception to critical designation because the facility is not prepared to operate in a weather emergency.

Upcoming workshop sessions are planned for Tuesday, January 11th in Corpus Christi and Thursday, January 13th in Fort Worth. The commission recently also hosted similar trainings in Midland and Houston.

The regulatory training is free, but registration is required. Please note that registrants must be with a company under Railroad Commission jurisdiction, such as an oil and gas operator or pipeline operator with an active Organization Report (Form P-5) or a Local Distribution Company (LDC), and registrants are also required to register using their work email address.

To sign up to participate in an upcoming workshop, please visit the commission's Eventbrite websites noted below:

- Corpus Christi training — https://critical-infrastructure-training-corpuschristi.eventbrite.com.
- Fort Worth training – https://critical-infrastructure-training-fortworth.eventbrite.com.

Railroad Commission launches new website dedicated to critical infrastructure regulation

Texas operators can now locate regulatory information and resources regarding recently adopted critical infrastructure rules using a new dedicated webpage on the Railroad Commission website. Through the Critical Infrastructure Division webpage, accessible at www.rrc.texas.gov/critical-infrastructure/, industry stakeholders can find critical infrastructure forms and attachments, relevant Notices to Operators, extensive information on Statewide Rule 3.65, training opportunities and in-person workshops, as well as the critical infrastructure regions map.

Railroad Commission reflects on 2021 accomplishments in special *Year in Review* publication

Before the beginning of the new year, the state's oil and gas regulatory agency released a special *Year in Review* publication highlighting the regulatory work of the Railroad Commission of Texas throughout 2021. The commission, which celebrated its 130th anniversary last year, reviews the agency's governing work and oversight of the oil and gas industry in its *Year in Review*, as well as explores challenges brought on by the COVID-19 pandemic and last February's historic Winter Storm Uri.

The special 76-page *Year in Review* has content inside of the publication divided into five sections. The first section, "Historical Perspective," looks back at the 130-year history of the agency. The second section, "A Historic Storm," dives deep into what occurred during and since Winter Storm Uri. The third section, "Today's Agency: Achieving Higher Standards," covers how the commission is meeting legislative goals and other significant information from all the agency's divisions. The fourth section, "The Core Mission: Protecting Public Safety and the Environment," explores a host of success stories the agency has made in service to the state. And finally, the last section, "Getting Better for the Future," looks at ways the agency is improving to keep up with changing times.

Some of the highlights featured in the Railroad Commission's *2021 Year in Review* include new technological systems launched last year to offer greater efficiencies for operators and staff, streamline agency processes and also expand transparency. The commission also notably unveiled a new website in 2021, which provided a different layout optimizing user experience to help the public and regulated stakeholders better access information, forms and resources. Initiatives to advancing oversight of flaring activities continued in 2021, as the commission approved changes to the agency's monthly production report to improve tracking of vented and flared gas in Texas. Regulators at the Railroad Commission and Texas Commission on Environmental Quality (TCEQ) also last year established a new partnership transferring certain discharge permitting to surface waters of the state for produced water, hydrostatic testing, and gas plant effluent to the TCEQ (with the TCEQ being delegated authority by the U.S. Environmental Protection Agency to administer the National Pollutant Discharge Elimination System (NPDES) program in Texas).

To read more, check out the *2021 Year in Review* via the following link: https://bit.ly/3pSpUZG.

State regulators suspend deep well water disposal near Midland

The Railroad Commission on December 20th issued new orders to indefinitely suspend all deep oil- and gas-produced water injection in the Gardendale Seismic Response Area (SRA), effective December 31, 2021. A series of seismic tremors recorded in mid-December north of Midland prompted regulators to take such action — as such, operators in the aforementioned SRA will be allowed to apply to amend their permits for shallow injection, such as into the San Andres formation, the top of which occurs at about 5,000 feet. Deeper portions of such amended disposal wells will be required to be plugged, said the commission.

"The commission determined that the suspensions were necessary because of an ever-increasing pattern of earthquakes in the area. The Railroad Commission's seismologist and staff will continue to monitor earthquakes in the area and take further action as is necessary," said commission spokesperson Andrew Keese. "Operators of disposal wells in the Railroad Commission's Gardendale SRA, which is north of Odessa and northwest of Midland, will not be permitted to inject below the top of the Strawn Formation, which occurs at around 10,000 feet in depth but can vary."

National Association of Royalty Owners takes official position against forced energy divestitures

As an increasing number of financial firms and banking institutions face pressures from politicians and environmental activists to redirect money used for fossil-fuel extraction and stop direct financing of oil and gas development, the national board governing the National Association of Royalty Owners (NARO) in December approved a formal position concerning the growing practice of forced divestitures of oil and gas investments by public, quasi-public and private entities, as well as the increasing practice of trying to deny capital to oil and gas companies.

In a December 14th memo prepared by NARO, the group explained that "mineral and royalty owners need to have financially sound oil and gas operators who are willing to risk their capital to further develop, redevelop, or repurpose minerals into further oil and gas production, carbon capture, or carbon sequestration. These companies need healthy investor and capital markets to operate efficiently. Unfortunately, some public, quasi-public, and private entities such as pension funds, universities, banks, capital providers and hedge funds have been pressured into either divesting their oil and gas investments or refusing to provide new capital to them."

The NARO memo continued, "In a misguided effort to try and reduce carbon emissions, these efforts ignore the fact that oil and gas production is a worldwide market. Other countries will gladly take up the slack of any self-imposed reductions by the United States. The energy market is too vast and too large a percentage of the overall world economy to be significantly impacted by artificial supply constraints. Lack of an investor base and capital does not mean that operators can simply shift to private firms and private lenders. This capital starvation has the effect of stunting energy development and reducing supply. This has become painfully obvious recently, where reduced demand due to COVID was coupled with state and federal governments ratcheting up burdens on oil and gas operators to make it more difficult to invest in development or redevelopment of oil and gas fields. Now that demand has rebounded, a large increase in prices is helping fuel another painful inflation cycle as did the Arab oil embargo in the 1970s."

As such, NARO's leadership has voted to approve a formal position on forced energy divestiture, which states:

The National Association of Royalty Owners, Inc. officially condemns the practice of forced divestiture in oil and gas investments or redlining against oil and gas companies in the capital and lending markets. These practices reduce the capital available for future oil and gas development, harm American energy independence, harm mineral and royalty owners through fewer development options, and achieve no reduction in carbon emissions. These restrictive policies are short sighted, cause artificial distortions to energy markets, fuel inflation, and harm the overall economy and the American standard of living.

Learn more at www.naro-us.org.

EPA extends public comment period for oil and gas NSPS rulemaking

Stakeholders and members of the public will have an additional two weeks to submit comments to the U.S. Environmental Protection Agency (EPA) on the agency's proposed rule package which includes modified New Source Performance Standards (NSPS) and new emissions guidelines for the nation's crude oil and natural gas industry. After the EPA received numerous requests to extend the comment period given the complexity and length of the proposed rulemaking, the EPA has agreed to extend the deadline of the comment period to January 31, 2022. The original comment period due to close on January 14, 2022. This extension will provide additional time requested by the public to review the proposal and gather and provide information to the agency, said the EPA.

In November, the EPA proposed comprehensive new regulations to expand and strengthen emissions reduction requirements under the Clean Air Act (CAA) for new, modified and reconstructed oil and natural gas sources, and also for the first time require states to reduce methane emissions from hundreds of thousands of existing sources nationwide. Key features of the EPA's proposed rule include:

- a comprehensive monitoring program for new and existing well sites and compressor stations;
- a compliance option that allows owners and operators the flexibility to use advanced technology that can find major leaks more rapidly and at lower cost than ever before;
- a zero-emissions standard for new and existing pneumatic controllers (with a limited alternative standard for sites in Alaska), certain types of which account for approximately 30 percent of current methane emissions from the oil and natural gas sector;
- standards to eliminate venting of associated gas, and require capture and sale of gas where a sales line is available, at new and existing oil wells;
- proposed performance standards and presumptive standards for other new and existing sources, including storage tanks, pneumatic pumps, and compressors; and
- a requirement that states meaningfully engage with overburdened and underserved communities, among other stakeholders, in developing state plans.

TIPRO members may find more information about the EPA's proposed rules by visiting https://bit.ly/3bGxPkN.

Members of the association are reminded that comments, identified by Docket ID No. EPA-HQ-OAR-2021-0317, may be submitted before the end of the month using any of the following methods:

- Federal eRulemaking Portal: https://www.regulations.gov/ (the preferred method). Follow the online instructions for submitting comments.
- Email: a-and-r-docket@epa.gov. Include Docket ID No. EPA-HQ-OAR-2021-0317 in the subject line of the message.
- Fax: (202) 566-9744. Attention Docket ID No. EPA-HQ-OAR-2021-0317.
- Mail: U.S. Environmental Protection Agency, EPA Docket Center, Docket ID No. EPA-HQ-OAR-2021-0317, Mail Code 28221T, 1200 Pennsylvania Avenue NW, Washington, DC 20460.

On behalf of the association's membership, TIPRO will also be submitting comments to EPA leadership on the proposed NSPS updates and new regulatory standards for the oil and gas industry.

Federal bill looks to shield small energy producers from excessive methane emission fees

New legislation introduced on Capitol Hill in the final weeks of 2021 seeks to protect small oil and gas businesses from policies currently being advanced by the Biden Administration that will apply mounting fees on methane emissions from oil and gas operations, as well as establish broader emission reporting requirements. The *Marginal Well Protection Act*, co-sponsored by U.S. Senators Ted Cruz (R-Texas), Roger Marshall (R-Kansas), Jerry Moran (R-Kansas), James Lankford (R-Oklahoma), Steve Daines (R-Montana) and Jim Inhofe (R-Oklahoma), would prohibit the administrator of the U.S. Environmental Protection Agency (EPA) from imposing a fee or reporting requirements on certain facilities for methane emissions, namely excluding marginal oil and gas wells from such regulatory treatment. The senators contend that excessive methane emission fees should not be required on wells that produce less than 15 barrels of oil and less than 90 Mcf (90,000 cubic feet) of natural gas per day. Marginal wells are small, often family-owned wells with 15 employees or fewer, federal officeholders explained, and produce almost 7.5 percent of entire U.S. oil production.

"As Americans suffer from high prices due to President Biden's anti-fossil fuel policies and inflation crisis, the administration's efforts to implement more ineffective and unnecessary regulatory burdens will only cripple Texas' marginal wells, which are often small operations, that produce the clean, reliable energy America requires," remarked Senator Cruz. "I am proud to join Senator Marshall on this legislation to help lower energy costs by cutting red-tape and unleashing the Lone Star State's thriving oil and gas industry."

"My colleagues and I want to make sure we protect our American energy independence, especially the smaller oil and gas operations, from crushing methane fees," added Senator Lankford. "If the Biden Administration is successful at killing small oil and gas producers, our nation will have to purchase more oil and gas from overseas to meet our national energy needs. An American president should prefer American jobs. Unfortunately this president prefers that we beg for more oil from OPEC and Russia rather than unleash American energy production." To view a copy of the *Marginal Well Protection Act*, visit https://bit.ly/3zii5iW.

Similar legislation was also introduced last Fall in the U.S. House chamber with intent to protect small energy producers and marginal well operators from methane fees promulgated by the EPA. As TIPRO reported to members in the November 4th *TIPRO Target* newsletter, Representatives Jodey Arrington (TX-19), Ron Estes (KS-4) and Kevin Hern (OK-01) introduced the *Marginal Well Protection Act* to protect independent producers from burdensome regulatory fees, ensure America's global energy competitiveness, protect the nation's energy independence and allow small oil and gas companies to continue to develop energy that powers America's communities and homes.

Texas congressmen lead legislative effort to block president from reinstating crude oil ban

A group of 23 federal lawmakers, including several members of Texas' congressional delegation, are working to enact new restrictions on the ability of the nation's president to impose an export ban on crude oil without first proving a credible national security risk. The effort follows serious consideration by President Joe Biden and his administration in late 2021 to apply a potential ban on crude oil exports, amidst rising energy costs and greater demand for crude oil. H.R. 6259, the *Continuing Robust and Uninhibited Drilling and Exporting (CRUDE) Act of 2021*, would prevent the president from establishing export licensing requirements or other restrictions on the export of crude oil from the United States.

The legislative proposal was authored by Texas Congressman Jodey Arrington (TX-19), and cosponsored by 15 other Texas congressional members, including Representatives August Pfluger (TX-11), Michael Cloud (TX-27), Beth Van Duyne (TX-24), Ronny Jackson (TX-13), Kay Granger (TX-12), Roger Williams (TX-25), Tony Gonzales (TX-23), Chip Roy (TX-21), Pat Fallon (TX-4), Brian Babin (TX-36), Pete Sessions (TX-17), Lance Gooden (TX-5), Van Taylor (TX-3), Dan Crenshaw (TX-2) and Michael McCaul (TX-10).

"The Biden Administration's rhetoric surrounding an oil export ban is completely misguided and will result in higher energy costs for American consumers, hurt our domestic producers, and weaken our energy independence. I am proud to introduce the *CRUDE Act* to prevent the Biden Administration from weaponizing trade policies to destroy the oil and gas industry and America's global energy dominance," stated Congressman Arrington.

Complete text of this resolution may be viewed at: https://bit.ly/34nIEYP.

Biden Administration blocks federal support for overseas fossil fuel projects

The Biden White House in December ordered an immediate halt to federal support of new carbon-intensive projects overseas, *Bloomberg News* recently reported, a move that could threaten financing of energy development abroad. In a directive quietly issued before the start of the new year, the U.S. government told U.S. embassies of the new policy position, which could affect a significant number of potential foreign projects, including terminals in eastern Europe and the Caribbean that are being set up to receive shipments of U.S. natural gas. According to *Bloomberg*, the policy goes beyond constraining financial aid, and rules out other softer forms of government support, including diplomatic and technical assistance that benefits developers of pipelines, liquefied natural gas terminals and other projects overseas.

The guidance document reads, "Our international energy engagement will center on promoting clean energy, advancing innovative technologies, boosting U.S. clean-tech competitiveness and providing financing and technical assistance to support net-zero transitions around the world."

The new policy will not apply to existing projects, the document also noted, and significant exemptions will be allowed. Exemptions for instance could involve oil and gas projects, including pipelines, power plants and terminals, if they are deemed to significantly advance national security, imperative from a geostrategic perspective or essential to support energy development in particularly vulnerable areas, said the administration.

Shale drillers and service companies in Texas see growth... continued from Page 1

The latest quarterly report released on December 29th by the Dallas Fed also affirmed that the oil and gas sector saw further growth in the final months of 2021. The Dallas Fed's Fourth Quarter Energy Survey, which polled oil and gas executives to gauge industry expectations, highlighted improvements for the energy industry's labor market and workforce, as well as boosted production and overall outlooks for the industry. "The oil and gas sector saw continued, solid growth in business activity this quarter, accompanied by mounting cost pressures in several areas," said Michael Plante, Dallas Fed senior research economist.

The Dallas Fed said it used its survey to also inquire about sentiments regarding capital spending plans for 2022 amongst energy firms and oil and gas producers. Forty-four percent of executives indicated they expect capital spending to increase slightly, while an additional 31 percent anticipate a significant increase. Though spending may rise in the coming year, industry leaders and oil drillers highlighted record costs and higher expenses for E&P activities and oil and gas development. Among E&P firms, the index for finding and development costs advanced from 33.0 in the third quarter to 44.9 in the fourth, said the Dallas Fed. Additionally, the index for lease operating expenses also increased, from 29.4 to 42.0. Both of these indexes reached their highest readings in the survey's five-year history, cited experts.

Other noteworthy takeaways from the Dallas Federal Reserve survey include:

- A majority of firms are using an oil price at or above $60 per barrel for budgeting purposes in 2022. The average response across all firms was $64 per barrel.
- Forty-nine percent of exploration and production (E&P) companies said that growing production was their primary goal for 2022. A total of 15 percent said "maintain production" was their business' top priority and 13 percent of survey responses indicated "reducing debt" was a top focus.

Data for the Dallas Fed survey was collected December 8–16, with 134 energy firms responding. Of the survey participants, 90 were exploration and production firms, and 44 were oilfield services companies.

Boosted by oil and gas spending, state sales tax revenue grows nearly 25 percent in 2021

Texas sales tax revenue, a major source of income for state coffers that is used to fund the state budget, continues to experience large growth in monthly collections, Texas Comptroller Glenn Hegar reported at the start of January. State sales tax revenue totaled $3.56 billion in December, the comptroller announced on Monday, January 3, approximately 24.4 percent more than levels recorded in December 2020 and up 18.1 percent compared to December 2019.

"December state sales tax collections continued the exceptional growth of recent months, reaching another new monthly high with receipts from all major economic sectors surging above year-ago levels," Comptroller Hegar said. "Propelled by vigorous business and consumer spending, receipts from most major sectors were well above pre-pandemic levels."

"Double-digit increases in receipts from sectors fueled by business spending were led by oil and gas mining, manufacturing, wholesale trade and construction," added the comptroller.

In fact, oil production tax revenue went up $450 million, an increase of 128 percent from December 2020, and 24 percent higher than December 2019, according to the comptroller. Natural gas production tax revenue hit its highest-ever monthly revenue amount, reaching $384 million, which was up 349 percent from December 2020, and 237 percent more than December 2019.

Mark your calendar for

TIPRO's 76th Annual Convention!

Austin, Texas | March 28-29, 2022

TIPRO

The Texas Independent Producers & Royalty Owners Association (TIPRO) will host its 76th Annual Convention as an in-person event on March 28-29, 2022, at The Otis, a boutique luxury hotel located near downtown Austin. Attendees will have access to a private reception onsite at the wonderful Otopia Rooftop lounge on the evening of Monday, March 28. General Session for the convention will begin at 8:30 a.m. the following day with a distinguished line-up of industry executives, statewide leaders and officials who will review leading priorities facing the Texas oil and natural gas industry today. After General Session, convention attendees will gather for another private reception at Bar AC, also on property, followed by the TIPRO Chairman's Dinner.

TIPRO is thrilled to announce that Diamondback Energy Chief Executive Officer Travis Stice, Texas Governor Greg Abbott, and Railroad Commission Chairman Wayne Christian are all confirmed to speak at the association's meeting this year. Additional speakers will be announced in the coming weeks.

Register online to take advantage of TIPRO's early-bird registration rate today! For more conference information and to sign up to participate, visit TIPRO's website at www.tipro.org.

Global oil and natural gas discoveries in 2021 hit lowest level in 75 years

A December analysis from Rystad Energy showed limited worldwide oil and natural gas discoveries over the past year were likely to make 2021 the worst in decades for cumulative discovered volumes of hydrocarbons. Rystad researchers in the third week of December reported total global discovered volumes for calendar year 2021 were calculated at 4.7 billion barrels of oil equivalent (boe) as of the end of November, pending no other major finds in 2021. This trend was said to place the industry on track for its "worst discoveries toll since 1946." By comparison, in 2020, approximately 12.5 billion boe were discovered, according to Rystad.

"Liquids continue to dominate the hydrocarbon mix, making up 66 percent of total finds. Seven new discoveries were announced in November 2021, unearthing around 219 million boe of new volumes," said experts from the consultancy. "The monthly average of discovered volumes this year now stands at 424 million boe. A reduction in cumulative volume highlights the absence of large individual finds, as has been the case in previous years."

OPEC+ agrees to pump more oil

During a January meeting between global producers part of the Organization of the Petroleum Exporting Countries (OPEC) and respective partners, energy leaders decided to continue to raise production levels in February, albeit at the sustained modest rate established last year. The oil group acknowledged concerns about the Omicron coronavirus variant rampantly spreading around the globe, though still expressed confidence that impacts from the virus to global oil demands would be contained and mild, with widespread economic lockdowns unlikely. As such, OPEC+ said on Tuesday, January 4th it would expand production levels next month by 400,000 barrels per day (bpd), which will put its total daily output at 40.9 million barrels.

Since August, OPEC+ has reliably followed plans to increase its production targets by 400,000 bpd each month as the cartel rolls back its record production cuts of 10 million bpd put in place in the spring of 2020. Nations including the United States, India and Japan in recent months have pushed for OPEC nations to increase production even further to add to global oil supplies, though such requests have to-date gone unmet as the group maintains its August agenda to increase oil production by 400,000 barrels per day each month.

Harold Hamm and his company, Continental Resources, donate millions for institute on U.S. energy

Harold Hamm, an industry icon and the chairman of independent oil producer Continental Resources, in December pledged a monumental donation of $50 million to Oklahoma State University (OSU), allowing the college to establish the Hamm Institute for American Energy. The philanthropic gift of $50 million — $25 million coming from the Harold Hamm Foundation and $25 million from Continental Resources — is one of the largest donations in OSU's history and will be used to support American energy innovation as well as inspire the next generation of energy leaders. The new Hamm Institute will become the center of all things American energy, school leaders said, and will also be a place at the university to host symposiums, authors, speakers, energy summits and global energy leadership conversations.

"This gift is about investing in our shared future — the future of our country and the state and people I love," said Hamm, who has spent over five and a half decades working for the oil and gas industry. "I see the Institute as a game changer — a place where the best and the brightest will come together to responsibly solve the world's energy challenges. A third of the world lives in energy poverty. We need to fix that. And we need to make sure Americans will always have an abundance of reliable, affordable energy for generations to come."

Hamm, who presented to TIPRO during the association's Annual Convention in 2016, is a native Oklahoman and a well-recognized advocate of America's domestic oil and natural gas industry. His contribution alongside Continental Resources will prepare future energy leaders and allow the development of research to ensure a better, more sustainable modern world of energy. "This collaboration between one of our great universities and one of our most innovative and successful energy companies and entrepreneurs will raise the bar for American energy innovation," Oklahoma Governor Kevin Stitt said.

Underinvestment in oil and gas development a serious concern for industry, outlines new report

A report by the International Energy Forum (IEF) and IHS Markit has warned that insufficient upstream investment since the start of the coronavirus (COVID-19) pandemic could result in more price volatility and spur additional adverse economic consequences in the future, such as wider energy poverty, more frequent scarcity and greater fuel switching to more polluting energy sources like wood and coal. The firms in December released an analysis highlighting concerns and suggesting oil and gas investment will need to not only return pre-COVID levels but remain elevated through at least 2030 to restore market balance and adequately meet future demand.

"Two years in a row of large and abrupt underinvestment in oil and gas development is a recipe for higher prices and volatility later this decade," said Joseph McMonigle, secretary general of the IEF.

IEF and IHS Markit said in their report that upstream investment during 2021 in the oil and gas sector remained depressed for a second consecutive year at $341 billion, 23 percent below the pre-pandemic level of $525 billion. Investment was also down by 30 percent in 2020, noted the report. Global demand for oil and gas, meanwhile, is continuing to rebound to near 2019 levels and is set to keep rising for several years.

The situation could create an energy crisis, forewarn IHS Markit and IEF experts, not unlike what has unfolded in Asia and Europe in more recent months.

"Increased price volatility would weaken the prospects for the inclusive and sustainable economic recovery that producers, consumers and governments all want. It would also complicate policy choices during the energy transition," said McMonigle.

"Reduced investment will also make it more difficult to increase affordable access to modern energy services and improve healthy living conditions in rapidly urbanizing regions as well as remote rural areas of developing economies. While the obstacles are high for achieving adequate investment, the consequences of underinvestment are greater," he added.

Texas Independent Producers & Royalty Owners Association

With nearly 3,000 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

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