



# THE TIPRO TARGET



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## TIPRO releases “2021 State of Energy Report”

The Texas Independent Producers & Royalty Owners Association (TIPRO) released the sixth edition of its “State of Energy Report” on Thursday, February 4, offering a detailed analysis of national and state trends in oil and natural gas employment, wages and other key economic factors for the state's energy industry in 2020. TIPRO’s “State of Energy” report series was developed to quantify and track the economic impact of domestic oil and natural gas production with an emphasis on the state of Texas. In 2021, TIPRO updated its industry definition to include the Oil and Gas Pipeline and Related Structures Construction sector and provides updated and historical data in this year's publication.

According to the association's new report, the U.S. oil and natural gas industry employed 902,223 professionals in 2020, representing a net decline of 160,323 direct jobs compared to 2019. The industry paid a national annual wage averaging \$113,601 last year, 86 percent higher than average private sector wages in the United States. Payroll in the U.S. oil and gas industry meanwhile totaled \$102 billion and direct Gross Regional Product (GRP) for the industry was \$741 billion in 2020, or 4 percent of the U.S. economy. Additionally, total U.S. goods and services purchased in 2020 by the oil and gas industry decreased, but still exceeded \$527 billion from over 900 business sectors, notes TIPRO.

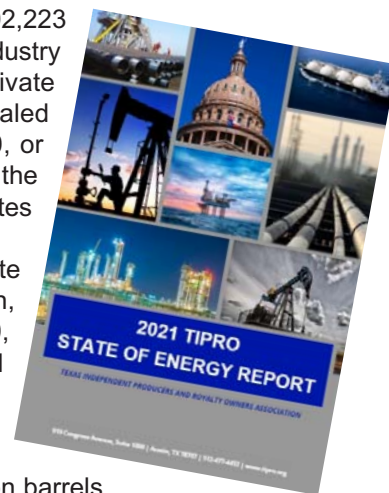
In Texas, the oil and gas industry continued to provide significant economic support despite challenging market conditions, accounting for 39 percent of all oil and gas employment in the nation, as outlined in the new report. The industry supported a total of 347,529 direct jobs in Texas in 2020, a net decrease of 73,982 jobs from the previous year. When factoring in direct, indirect, and induced employment multipliers, the Texas oil and natural gas sector supported over 2.3 million jobs last year. Direct GRP for Texas oil and gas equaled \$278 billion in 2020, or 15 percent of the state economy.

Oil production in Texas totaled 1.73 billion barrels in 2020, representing a decline of 117 million barrels compared to 2019. North Dakota had the second highest oil production with 430 million barrels, followed by New Mexico with 360 million barrels produced. Texas also once again led the country in natural gas production with 10.4 trillion cubic feet (Tcf) produced in 2020, followed by Pennsylvania with 7.1 Tcf. Texas had the highest average rig count in the country in 2020 with 215 rigs. The number of rigs in the Lone Star State dropped from 418 in January to 181 in December, a 57 percent decline.

The new Enverus outlook for oil market fundamentals for 2021 forecasts total U.S. average yearly production to decline approximately 690,000 barrels per day (b/d) in 2021. This is a result of continued modest declines expected through most of 2021 as operators take a conservative approach to capital expenditures while they await confirmation of a commodity price recovery. Production will resume yearly average growth in 2022 at roughly 200,000 b/d, Enverus projects. On the bright side, 2021 free cash flow expectations are generally positive because operators will likely focus efforts on completing their drilled but uncompleted (DUC) inventory before ramping up drilling expenses.

As part of its new analysis, TIPRO outlines numerous factors that are expected to impact U.S. oil and natural gas production and commodity prices, led by continued recovery in global demand supported by new stimulus, growth in developing nations and increasing confidence in the effectiveness and utilization of the COVID-19 vaccine. However, new and anticipated actions under the Biden Administration targeting domestic oil and natural gas production could negatively impact this positive momentum and create a higher degree of uncertainty in the market. In response to federal government “overreach,” Texas Governor Greg Abbott recently announced that the state was going to take steps to protect the oil and gas industry, including a promise to veto any “new green deal” type of legislation, should it be passed. Governor Abbott also signed an executive order that directed every state agency to use all lawful powers and tools to challenge any federal action that threatens the continued strength and vitality of the energy industry. He has instructed each state agency to identify potential litigation, notice and comment opportunities and any other means of preventing federal overreach within the law.

“TIPRO applauds Governor Abbott for his leadership and actions to protect the Texas oil and natural gas industry,” said Brent Hopkins, chairman of TIPRO and CEO of Suemaur Exploration & Production LLC. “Our organization looks forward to working with Governor Abbott and other stakeholders to help maintain a business and regulatory environment that supports the responsible development of oil and natural gas for the benefit of all Texans.”



**See Page 3 for more coverage of TIPRO's new report!**

## President's message

TIPRO Members,

In such a pivotal time for our industry, we face a future that holds both great promise and uncertainty with a new administration that can affect the lives of so many with a stroke of a pen and zero remorse for the resulting struggles that lie ahead for many American families. Experts increasingly support expectations of a recovery for oil and gas as we emerge from the depths of the 2020 downturn, and market fundamentals also seemingly indicate signs of hope for a better balance of supply and demand in future months. The Organization of Petroleum Exporting Countries (OPEC) and its allies this week also adopted measures that should continue to support pricing gains, which will further drive a recovery for the oil and gas industry. However, while the thousands of men and women in the oil and gas industry, including the many members of TIPRO, optimistically look forward to brighter days ahead, a dramatic shift in politics out of D.C. is presenting very real concerns for our nation's energy producers. New orders by the president signed at the end of January will again undoubtedly harm America's energy sector and lead to the elimination of good-paying jobs, cut tax revenues and hinder other economic benefits associated with domestic oil and gas development.

As part of TIPRO's just-released '2021 State of Energy Report,' TIPRO discusses in greater detail how new and anticipated actions under the Biden Administration targeting domestic oil and natural gas production could negatively impact our positive momentum and create a higher degree of uncertainty in the larger marketplace.

TIPRO's annual report also offers an important look at the status of the Texas oil and gas industry following a tumultuous 2020. As evidenced by our association's latest report, through one of the most challenging periods in our industry's history, Texas oil and natural gas producers continued to show resilience this past year, and offered meaningful contributions that supported the economy. Beyond the over 347,500 direct jobs supported by the state's oil and gas industry, total direct Gross Regional Product for the Texas oil and natural gas industry in 2020 topped \$278 billion, or 15 percent of the Texas economy. Of course, tax revenue generated from energy development in the Lone Star State also went a long way in supporting our government coffers last year as well, with \$13.9 billion contributed last year by the Texas oil and natural gas industry in total state taxes and state royalty payments.

It's reassuring Texas production was largely able to hold steady in 2020, despite tremendous headwinds and setbacks, though modest declines were reported. Oil and natural gas output should turn a corner and rebound leading into 2022, as outlined in TIPRO's new publication.

TIPRO's 'State of Energy' report series supports our organization's overarching goal to inform and educate stakeholders, the general public and policy leaders on economic impact of the industry, including highlights of industry employment, payroll, the number of businesses, oil and gas production, along with severance taxes paid and Gross Regional Product, amongst other economic metrics. We are proud to continue to offer such comprehensive data and analysis with our regular reports focused on economic impacts, oil and gas trends, and other priority issues.

I hope you all will take some time to learn more about the economic contributions of the Texas oil and gas industry, as well as review other valuable insights, by downloading TIPRO's report, which is available through the TIPRO website.

Best regards,  
Ed Longanecker



**Ed Longanecker**

## Save the date for TIPRO's 2021 Convention - A Virtual Industry Summit

The Texas Independent Producers & Royalty Owners Association (TIPRO) will host its 75<sup>th</sup> Annual Convention this year as a virtual industry summit on Tuesday, April 6, 2021. During the April meeting, TIPRO looks forward to welcoming a distinguished panel of industry executives, statewide leaders and officials who will review leading priorities facing the Texas oil and natural gas industry today.

Texas Governor Greg Abbott will deliver welcome remarks to kick off TIPRO's convention and Occidental Petroleum Corporation President and Chief Executive Officer Vicki Hollub will headline the association's meeting, providing the industry keynote address for the event. TIPRO is also pleased to announce Chad Peterson, president of Schlumberger North America, will present to TIPRO on service sector trends, innovations and challenges.

Ongoing policy work by state legislators at the Texas capitol will also be a hot topic of discussion at TIPRO's convention this year, as will be the shifting energy landscape on the federal level. Please mark your calendar for this important association meeting, and watch for sponsorship and registration details to be released soon.



### TIPRO CALENDAR OF EVENTS

**FEBRUARY 8, 2021**

CONFERENCE CALL — TIPRO State Issues Committee meeting.  
For information, please email [rpaylor@tipro.org](mailto:rpaylor@tipro.org).

**FEBRUARY 18, 2021**

VIRTUAL EVENT — 'When Not To Take The Money' webinar hosted by NARO-Texas  
For information, please email [jfleet@naro-us.org](mailto:jfleet@naro-us.org).

**FEBRUARY 22, 2021**

CONFERENCE CALL — TIPRO State Issues Committee meeting.  
For information, please email [rpaylor@tipro.org](mailto:rpaylor@tipro.org).

## Coverage of TIPRO's 'State of Energy Report' ...continued from Page 1

In addition to advancing a targeted federal policy agenda, during the Texas 87<sup>th</sup> Legislative Session, TIPRO will engage in all priority issues facing its members and the Texas oil and natural gas industry. As outlined in the report, specific areas of focus from a state legislative standpoint include tax policy, critical infrastructure, workforce development and various environmental issues facing oil and gas producers and mineral owners.

So, what does oil and gas development mean for Texas?

- Texas led the nation in oil and gas jobs with 347,529 people employed in this industry, a net decline of 73,982 compared to 2019. Approximately 39 percent of all oil and gas jobs nationwide were located in Texas last year.
- When incorporating direct, indirect and induced multipliers for oil and gas employment, the industry supported a total of 2.3 million jobs in Texas last year.
- Oil and gas jobs in Texas paid an annual average wage of \$129,989, 113 percent more than the average private sector job in the state.
- Texas had the highest oil and gas payroll in the country in 2020 (\$45 billion), with California coming in at a distant second (\$10 billion), then Louisiana (\$6.8 billion).
- Oil production in Texas totaled 1.73 billion barrels in 2020, representing a decline of 117 million barrels compared to 2019. North Dakota had the second highest oil production with 430 million barrels.
- Texas had the highest average rig count in the country in 2020 with 215 rigs. The number of rigs in Texas dropped from 418 in January to 181 in December, a 57 percent decline.
- In 2020, total direct GRP for the Texas oil and natural gas industry was \$278 billion, or 15 percent of the Texas economy.
- The Texas oil and natural gas industry purchased U.S. goods and services in the amount of \$198 billion, 82 percent of which came from Texas businesses.
- Between 2007 – 2020, total state taxes and state royalty payments paid by the Texas oil and gas industry exceeded \$162.9 billion, including \$13.9 billion contributed last year.

The "State of Energy Report" series is published exclusively by the Texas Independent Producers & Royalty Owners Association. A full list of the data sources used to develop this report can be viewed in the methodology section of the report.

Visit <https://bit.ly/3jjfcqs> to download a copy of TIPRO's new "2021 State of Energy Report."

## Oil and gas producers sound the alarm over sweeping new executive orders on energy

Once sworn into office, U.S. President Joe Biden wasted no time taking immediate action to tackle climate change, while simultaneously placing domestic energy development in the crosshairs of new restrictions and limitations that will be imposed by the federal government. On a day dubbed by the White House as "Climate Day," President Biden signed a series of new executive orders last Wednesday, January 28, that further build out the new administration's policy agenda to address the climate crisis and deliver environmental justice.

As first reported by TIPRO in the January 21<sup>st</sup> edition of The TIPRO Target newsletter, President Biden already issued significant climate-related directives on the first day of his presidency, including recommitting the United States to reenter the Paris Climate Agreement, canceling construction of the Keystone XL Pipeline and other measures. Less than two weeks later, the president unveiled another set of executive orders to quickly move on climate change concerns, which in part direct federal agencies to ban new oil and natural gas leasing on federal land and waters for one year, ask for a complete review of existing leasing and permitting practices, and call for an elimination of fossil fuels subsidies.

"We strongly oppose the decision to indefinitely halt new oil and gas leasing on public lands and waters. This will result in severe economic consequences and will interrupt the environmental progress achieved by the nation's oil and gas sector. Energy produced on federal lands and waters accounts for nearly a quarter of U.S. oil production and roughly 12 percent of our nation's natural gas output. The development of mineral resources on our federal lands has amplified our nation's energy security and also supports hundreds of thousands of American jobs," said TIPRO President Ed Longanecker. "Bottom line, this ban will hurt our country, and the timing could not be worse. In the midst of a recovery from last year's oil price crash and the extreme demand deconstruction prompted by the coronavirus (COVID-19) pandemic, any government-imposed setbacks to the energy sector are expected to lead to higher electricity prices, job losses and diminished revenue for government coffers, amongst other impacts."

Republican and Democratic officials have voiced serious concerns over the administration's plans and have approached the president asking him to rescind the leasing moratorium while the economy recovers from the downturn. See more coverage of reactions to the president's executive orders on Page 5 of this newsletter.

## TXDOT provides update on Permian Basin road funding

On January 27, the Texas Department of Transportation (TxDOT) updated the Texas Transportation Commission on Permian Basin Energy Sector Funding transportation projects. As highlighted by the TxDOT presentation, the \$600 million of Strategic Priority Funds approved in 2019 have been allocated and project development in the region is now underway. Going forward, the commission will consider future federal grant opportunities like the BUILD and INFRA programs to leverage federal funds, including \$50 million from the BUILD Grant which Texas received in 2018 and another \$25 million BUILD Grant received in 2020 (IH-20). The commission will also leverage Permian Promise funding to develop prioritized projects in the Permian Basin as well as develop financial partnerships with cities, counties, economic development groups and industry to address continued transportation challenges.

For more details, TIPRO members are encouraged to see Item 2a of the TxDOT Meeting Agenda at <https://bit.ly/3trME2w>, and also should view the presentation made by the state transportation commissioners that is available at <https://bit.ly/2MVHcUC>.

## Governor Abbott pushes back against President Biden and threats of ‘federal overreach’

Vowing to protect the oil and gas industry, Texas Governor Greg Abbott in late January signed a new executive order directing every state agency to use all lawful powers and administrative tools to challenge any federal action that threatens the continued strength, vitality and independence of the energy industry. The measure, aiming to stunt federal overreach, came just one day after the Biden Administration announced sweeping limits blocking new oil and gas leases on federal land and waters and applying other drastic policies to slow domestic fossil fuel production.

At a roundtable discussion held Thursday, January 28<sup>th</sup> in Odessa alongside energy workers, leaders and advocates - including members of TIPRO - the governor outlined an aggressive strategy that will be followed to defend the oil and gas industry from hostile attacks from Washington, D.C. By issuing his own executive order to take on over misguided policies advanced by the new president and his administration, the governor reassured energy workers that the Lone Star State would not “stand idly by and watch the Biden Administration kill jobs in Midland, in Odessa or any other place across the entire region.” As part of his order, the governor has also asked state agencies to work proactively to identify potential litigation, notice-and-comment opportunities, and any other means of preventing federal overreach within the law.

“The men and women who work in the energy industry produce the affordable energy that powers our lives and they are vital to the Texas economy,” said Governor Abbott. “Texas is a pro-energy state, and we will not sit idly by and allow the Biden administration or local governments to destroy jobs and raise energy costs for Texas families. My Executive Order will help ensure that the federal government cannot take away the livelihoods of Texans who work so hard to provide our state and our nation with the energy we need.”



Governor Abbott unveils a new executive order to protect the Texas energy industry. Photo credit: Office of the Governor

TIPRO members can view the governor’s executive order by visiting: <https://bit.ly/2MvJN7Q>.

State Representative Brooks Landgraf (R-Odessa) afterwards expressed his support of the governor’s action on the state level to prevent the federal government from harming the oil and gas industry in Texas. “I appreciate Governor Abbott’s leadership here,” Representative Landgraf said. “This order demonstrates the importance of oil and gas, and specifically, the significance of the work we do in the Permian Basin. In addition to all of the jobs the industry creates, our roads, schools and nearly every other service provided by the state directly benefit from revenue generated by oil and gas production.” Representative Landgraf was in attendance of the governor’s roundtable in the Permian Basin last Thursday in his home district that includes Odessa.

Likewise, Texas Land Commissioner George P. Bush also made it known his office stands ready to back Governor Abbott’s efforts to push back against policy decisions by the Administration that are detrimental to the Texas oil and gas economy. “Texans will not stand idly by and watch Washington strip away our livelihoods. The Land Office stands ready to continue to protect Texas jobs, preserve American energy dominance, and defend Texas’ state-owned lands from federal bureaucratic oversight,” the General Land Office said in remarks posted to social media. In an additional statement, Commissioner Bush added, “Following the certification of election results, I immediately directed the Texas General Land Office to begin preparing for an onslaught of executive orders and policy decisions by the Administration that are detrimental to the Texas oil and gas economy. Thanks to Governor Abbott for putting Texas energy first.”

Abbott, of course, is no stranger to defending the interests of Texas against the federal government, having spent his terms as Texas’ attorney general (before becoming governor) filing more than 30 lawsuits challenging policies promulgated by the Obama Administration, including headline-making fights against major environmental regulations and other substantial reforms. Even before President Biden’s climate-oriented executive orders were issued, Governor Abbott already was alluding to plans to resume higher litigation activity on the federal level and fight at the courthouse. While making remarks at a conference hosted in mid-January by the Texas Public Policy Foundation, Governor Abbott implied that Texas “needs to go back to the fundamentals of the Tenth Amendment and reassert that against any potential encroachments that we see under the Biden administration,” referring to the constitutional amendment focused on states’ rights.

## Texas’ top energy regulator appeals to President Biden on oil and gas policies

Before President Biden formalized executive action suspending new leasing for oil and gas production on federal lands and in federal waters, Texas Railroad Commission Chairman Christi Craddick days earlier made a public appeal to the president over his energy policies, reinforcing the detrimental economic effect and devastating toll to American workers if fossil fuel development were to be stunted or banned in the United States. In an open editorial published by the *Houston Chronicle* on Saturday, January 23, Chairman Craddick said restrictions on the American oil and gas industry would lead to increased energy costs, increased unemployment rates and an increased dependency on foreign oil. “While Americans struggle to pay their bills and keep food on the table, this shift in energy policy will make the road to recovery even longer and American families simply cannot withstand any further delay in economic stabilization,” wrote Chairman Craddick.

Producing over 41 percent of the nation’s oil, Texas energy producers leave a massive footprint on the economy, Chairman Craddick emphasized, with the industry last year alone paying a whopping \$13.9 billion in state and local taxes and state royalty payments.

Drawing reference to the president’s inaugural speech wherein he asked all Americans to “hear him out” with an open mind and heart to his ideals and policies, Chairman Craddick flipped the script in requesting the nation’s leader himself take the same mindset to understand how his own presidential actions can directly impact the Americans he serves in office. “My ask is simple: as you assume office, take measure of the needs of every American who has suffered through the economic turmoil of the last year. Instead of immediately signing energy and climate policies into law that will cause detrimental harm to American families across the country, *hear me out*. Allow Americans to get back to work, provide for their families and keep the lights on,” said Chairman Craddick.

Chairman Craddick’s full editorial can be read here: <https://bit.ly/3pLBa7J>.

## What Texas officials are saying about the president's climate and energy orders

After President Joe Biden last week issued new executive orders on climate change and energy, officials from Texas - the nation's top producing state of oil and natural gas - were quick to vocalize worry, given the policy changes will have large repercussions to our nation's energy landscape. Below see reactions from prominent Texas leaders about the new executive orders:

### U.S. Senator John Cornyn (R-Texas) said:

"I'm all for transitioning to cleaner forms of energy, but we have to deal with the reality of, for example, the fact that there are 280 million cars with internal combustion engines on our roads. How are families going to get to work, take their kids to school, or live their life if all of a sudden the very natural resource that they depend on for their cars is no longer available? Rather than laying the foundation for a strong recovery, the Biden Administration is issuing executive orders that will harm American energy and send more business to our international competitors. And the administration is carrying out these changes without any input from Congress... This is not the time to implement unilateral, heavy-handed, shortsighted regulations. Our energy industry is still reeling from the effects of the pandemic, and the Administration and Congress need to take action to support its recovery, not stand in its way."

### Texas Congressman August Pfluger (R-TX11) commented:

"President Biden is wasting no time pandering to his illogical base and devastating American energy dominance and oil and gas jobs in the process... Our nation is struggling. We need energy and jobs, not pandering and politics. President Biden must immediately halt this unscientific and illogical assault on American energy."

### Texas Congressman Jodey Arrington (R-TX19) commented:

"They are hostile to oil and gas, even though 80 percent of our economy runs on it, 90 percent of the world economy. We have the blessings of energy independence, not just for America but for North America, which is critical with the geopolitical landscape, especially in Asia, especially with China. We will lose millions of jobs in places like West Texas because of the tremendous costs of these regulations and these emission standards are putting on producers. But let me remind folks, we as Americans have led in reducing carbon emissions. In fact, during the Trump Administration, we saw a 15 percent reduction and we led the world, not because of regulation, but because of innovation, because of natural gas, they're taking us back to the stone age of mandates and regulations that will destroy this great industry that has been so good to our country."

### Texas Congressman Tony Gonzales (R-TX23) said:

"President Biden is actively destroying oil and gas jobs right in front of our eye. First, he halted the Keystone Pipeline and now he is stopping drilling on federal lands. I'm failing to see how he will unify the country when the administration's top priority is killing energy jobs."

### A joint letter sent to the attention of the president and signed by Texas Congressmen Vicente Gonzalez (D-TX15), Henry Cuellar (D-TX28), Lizzie Fletcher (D-TX07) and Marc Veasey (D-TX33) reads:

"As the United States works to emerge from the COVID-19 pandemic, which has killed more than 400,000 Americans and destroyed the livelihoods of many more, now is not the time to jeopardize American jobs, or the critical tax and royalty revenues that federal leases generate for local, state, and federal government that need funds now... We urge you to rescind this order and to reject policies that would ban responsible oil and gas leasing on federal lands and federal waters. We are eager to work together to develop sound, informed policy that strengthens the economy, secures jobs for Americans and protects our environment. American families rely upon secure, safe and affordable energy supplies and constituents in our districts are depending on government working proactively to move forward together in 2021 as we build back better."

## Federal legislation filed by Texas Congressman Dan Crenshaw to protect oil & gas producers

In the wake of President Biden's new executive orders on energy policy, Texas Congressman Dan Crenshaw (TX-2) introduced new legislation on January 28<sup>th</sup> in the U.S. House of Representatives to ensure that energy producers would retain access to critical energy reservoirs on the Outer Continental Shelf. The "Conservation Funding Protection Act" requires at least two annual area-wide lease sales on available acreage in the Western and Central Gulf of Mexico and maintains all current environmental laws and reviews.

"Texas energy producers are bearing the brunt of President Biden's foolish, job-killing executive orders in the first days of this administration," said Congressman Crenshaw. "Undermining Texas energy jobs and American energy independence appears to be a top priority of the Biden-Harris White House, and the administration is showing little regard to the livelihoods of blue-collar workers who are already struggling during this pandemic. Energy production is critical for jobs, our economy, and also funds coastland conservation and hurricane preparedness. This bill will ensure that production continues despite President Biden's terrible executive orders."

Co-sponsoring the legislation are Republican Representatives August Pfluger (TX-11), Ronny Jackson (TX-13), Randy Weber (TX-14), Lance Gooden (TX-05) and Louie Gohmert (TX-01), all representing Texas, as well as Jerry Carl of Alabama and Michael Guest of Mississippi.

The act is the House version of legislation that has also been filed at the end of January in the U.S. Senate by Senator John Kennedy (R-Louisiana) and Senator Cynthia Lummis (R-Wyoming).

Review the text of the legislation at: <https://bit.ly/39H5Otf>.

## Governor Abbott pledges to block any 'Green New Deal' policies pushed from lawmakers

During Governor Greg Abbott's press conference last week in Odessa, Texas' top official not only took on the federal government's recent energy orders, he also made it clear that any policies developed closer to home by state legislators during this year's legislative session that relate to the 'Green New Deal' would be denied, should they make it to his desk for signature into law.

"If anybody passes a green new deal type policy in Texas it'll be met with a governor's veto and not become law in our state," Governor Abbott stated.

The governor shared he was supporting legislation that would prohibit cities from banning natural gas appliances, as seen in other parts of the country like San Francisco. The Golden Gate City last year adopted an ordinance to prohibit the use of natural gas in construction of new buildings starting in June 2021, joining other Californian municipalities and towns to restrict natural gas hookups. "In Texas, we will not let cities use political correctness to dictate what energy source you use," Governor Abbott maintained.

To date several bills have been filed to prohibit a regulator or political subdivision of the state from restricting, incentivizing or discriminating against the use of a particular utility type for commercial or residential properties. TIPRO recognizes that limiting energy options and mandating a single energy source for homes and businesses takes away choice and raises cost of all customers. TIPRO has already issued support for House Bill 1282 by Rep. Joe Deshotel (D-Beaumont) that will preserve the right of Texans to have access to energy choices including natural gas.

## Democratic legislators take on flaring with bills proposed during the 87<sup>th</sup> Legislative Session

Legislation filed at the state capitol in late January by state Representative Jessica González (D-Dallas) seeks to end the severance tax exemption for flared or vented gas produced in Texas. House Bill 1377 by Representative González is one of several policy proposals being tracked by TIPRO focused on flaring in the state of Texas.

Currently, flared and vented gas produced in the state is exempt from being taxed at 7.5 percent of the market value of the produced gas. Under Representative González's bill, the current exemption for severance tax on flared and vented gas would be repealed. The legislation, according to the bill's author, would also prevent the waste and pollution that results from excessive flaring by creating a market incentive for producers to avoid paying taxes on natural gas that has been flared.

"House Bill 1377 would protect our environment by discouraging the practice of excessive flaring and venting, and generate millions in revenue for the state," said Representative González in a statement.

Meanwhile, state Representative Jon Rosenthal (D-Houston) has filed new legislation requiring the Railroad Commission of Texas to establish a policy to end routine flaring of natural gas from wells or other facilities regulated by the commission by 2025.

Another pair of bills filed recently by state Representative Ron Reynolds (D-Missouri City) also targets flaring in Texas by pushing state regulators to develop expanded regulatory requirements and industry incentives to address air emissions, with specific intent to lower flaring. House Bill 896 by Representative Reynolds would, amongst other measures, prohibit venting and limit flaring at new or modified oil and gas facilities, while the lawmaker's House Bill 897 would require the Texas Commission on Environmental Quality (TCEQ) to examine and produce an analysis of rules and requirements of programs relating to oil and gas operations that have a state permit, including venting and flaring.

Even withstanding legislative proposals tied to flaring, trends are already going down. Reporting from the Railroad Commission last Fall showed that less than a half percent of the gas produced in Texas was flared or vented, meaning 99.5 percent went to beneficial use.

Moreover, the state's oil and gas industry has already taken the lead on lowering flaring and methane emissions, pursuing voluntary efforts and installing new technologies to support a cleaner energy future.

To learn more about what flaring and venting entails, and understand voluntary actions and best practices being followed by industry operators to minimize flaring, visit the Texas Methane & Flaring Coalition website at [www.texasmethaneflaringcoalition.org](http://www.texasmethaneflaringcoalition.org).



## In 'State of the State' address, governor announces legislative priorities for 2021 session

During a rare 'prime time' televised speech, Texas Governor Greg Abbott on Monday, February 1<sup>st</sup> delivered his 'State of the State' address for the year. The governor's speech provided an update to Texans on the state's response to the coronavirus (COVID-19) health crisis and highlighted other exceptional concerns currently facing the Lone Star State. In keeping with tradition, the 'State of the State' address also allowed the governor an opportunity to outline his top priorities for the 87<sup>th</sup> Legislature. As the governor of the state, Abbott holds select powers to designate "emergency items" that enable lawmakers to work to pass bills related to those priorities ahead of legislative deadlines, including legislation the House and Senate can vote on within the first 60 days of the legislative session.

"Despite the challenges that America has endured over the past year, Texas remains a leader for the rest of the nation, and we have a duty to keep it that way. The 87<sup>th</sup> Legislative Session is an opportunity for the legislature and statewide leaders to solve the challenges facing our state on behalf of every Texan. Working together to serve the people of Texas, we will put the Lone Star State on a path towards a healthier, safer, freer, and more prosperous future for all."

Ultimately, Governor Abbott has identified five emergency items for the legislature, which include: civil liability protections for businesses during the pandemic; statewide expansion of broadband internet access; election integrity; bail system reform and police funding.

## Two Republicans advance to runoff to fill former Representative Drew Springer's House seat

Attorney David Spiller and business owner Craig Carter, both Republicans, will head to a runoff in the special election to fill the legislative seat held previously by former state Representative Drew Springer, R-Muenster. Springer in December was elected by constituents to the state Senate, leaving a vacancy in House District 68 which led the governor to set a January 23<sup>rd</sup> special election for the opening. With all precincts reporting, results of that election had Spiller earning 44 percent of the vote while Carter secured 18 percent of votes. For a candidate to win, however, they must get the majority of the vote, which is 50 percent or more, leading Spiller and Carter to a runoff. Governor Greg Abbott is expected to set a date for the runoff election sometime in February.

House District 68, which spans across swatches of North Texas land, includes the counties of Childress, Collingsworth, Cooke, Cottle, Crosby, Dickens, Fisher, Floyd, Garza, Hall, Hardeman, Haskell, Jack, Kent, King, Montague, Motley, Stonewall, Throckmorton, Wheeler, Wilbarger, and Young.

## Railroad Commission launches new website

The Railroad Commission's website has a fresh look, following the launch of a new agency website at the end of January. The redesigned website offers a more user-friendly layout, describes the commission, though stakeholders are advised all information available previously on the commission's website still remains accessible.

"We patiently built the new website to optimize the user experience for operators and the public," said Wei Wang, the Railroad Commission's executive director. "Analytics helped us see the most visited pages and we organized that information in the top menu and on the landing pages of our divisions and departments. All the information that was on our old website is on the enhanced site but presented in a more professional and navigable layout."

TIPRO members should note the menu options at the top of the website that provide a one-stop shop for operators and the public:

- The Resources page includes popular links for research queries, the GIS Viewer, statistics and more; and
- The Forms page is where operators can access every RRC division and department's forms for permits or other required filing without having to go to a particular division's page.
- The red Railroad Commission Applications button at the top right of the website houses applications such as CASES and RRC OIL (for inspection lookups).

According to the commission, mobile device users also will notice another major benefit of the new website, as tables and associated links now fit within mobile screens.

The web address for the Railroad Commission's website will remain the same and can be accessed at <https://rrc.texas.gov/>. For additional explanation, a quick video providing a brief overview of enhancements made to the commission's website may also be viewed by TIPRO members at: <https://bit.ly/3oFrXWY>.

## GOP congressmen deliver new bill to reauthorize Keystone XL pipeline

In hopes of overriding President Joe Biden's recent action revoking the presidential permit for the Keystone XL pipeline, nearly 90 Republican lawmakers in Congress have banded together to push legislation that would instead provide approval for the continued construction and operation of the pipeline. Declaring that a Presidential permit would not be required to allow the ongoing construction, connection, operation and maintenance of the Keystone XL pipeline, the *Keystone XL Pipeline Construction and Jobs Preservation Act* introduced in the U.S. House on Tuesday, February 2<sup>nd</sup> serves to reinstate authorization by the U.S. government of the Keystone XL Pipeline project.

The Keystone XL project has also undergone extensive environmental review and is the safest and most environmentally friendly way to transport oil. This project is expected to provide approximately 11,000 direct high-paying jobs and up to 60,000 indirect and direct jobs, generate tax revenue, increase renewable-energy demand, reduce emissions and strengthen North American energy independence.

"The truth is that energy made and moved in America creates good jobs, lowers the cost of gas and electricity for families, and advances American interests on the world stage. By revoking the Keystone XL pipeline permit, President Biden has chosen the opposite path, harming hard-working families, and placing American energy security at risk, while forcing us to be reliant upon countries who emit more carbon to produce the same energy, thus increasing global carbon emissions while crushing thousands of good American jobs," said Republican Whip Steve Scalise (R-Louisiana), one of the act's primary authors. "I'm proud to co-sponsor this legislation that reverses this radical, job-crushing unilateral action, and instead stands up for American jobs and energy security."

Companion legislation has also been formally introduced in the U.S. Senate, with backing from leaders representing energy-producing states like Texas, Oklahoma, Louisiana, Wyoming and North Dakota. U.S. Senator Ted Cruz (R-Texas) has joined Steve Daines (R-Montana) in working on the legislation, along with Senators John Barrasso (R-Wyoming), Cynthia Lummis (R-Wyoming), Mike Crapo (R-Idaho), James Risch (R-Idaho), Roger Marshall (R-Kansas), Jerry Moran (R-Kansas), James Inhofe (R-Oklahoma), Tom Cotton (R-Arkansas), Bill Cassidy (R-Louisiana), and Dan Sullivan (R-Alaska).

## Oil prices climb to one-year high; Natural gas prices see boost as well

Oil prices in early February jumped to levels not recorded in a year, with promising gains as the market sees further recovery following last year's economic turmoil. On Tuesday, February 2, West Texas Intermediate (WTI) crude prices rose above \$55 per barrel, supported by news that the Organization of Petroleum Exporting Countries (OPEC) has been successful in controlling its oil output and sticking to commitments to curtail production. Natural gas prices have also been boosted this week with strong winter weather hammering the Northeast, driving up energy demands for this heating season. As arctic temperatures grip large sections of the East Coast, and weather forecasts indicate cold weather could linger for the next couple of weeks, prices rallied. Natural gas prices in fact are over 50 percent higher than this time a year ago, when the country was experiencing a much more mild winter season.

## Biden Administration announces new senior directors and personnel for federal agencies

In Washington, D.C., the president's new cabinet has moved swiftly to complete the administration's transition and fill or replace positions as appropriate at key federal agencies. Since the presidential inauguration of Joe Biden on January 21, heads of executive departments have announced the appointments of senior bureaucratic leaders and directors that will work to enact President Biden's policy vision as it relates to the nation's energy future, environmental concerns and climate change. Many of those selected to fill administrative jobs are dedicated career professionals with extensive government experience. Team members serving across the Administration also reflect the Biden-Harris commitment to diversity and inclusion.

TIPRO members are advised of specific energy appointments made recently by the federal government, which are noted below:

### *U.S. Environmental Protection Agency:*

- Victoria Arroyo, Associate Administrator for Policy
- Alison Cassidy, Deputy Chief of Staff for Policy
- Radhika Fox, Principal Deputy Assistant Administrator, Office of Water
- Joseph Goffman, Principal Deputy Assistant Administrator, Office of Air and Radiation
- Lindsay Hamilton, Associate Administrator for Public Affairs
- Dan Utech, EPA Chief of Staff

### *U.S. Department of Interior:*

- Travis Annatoyn, Deputy Solicitor for Energy and Mineral Resources
- Laura Daniel Davis, Principal Deputy Assistant Secretary - Land and Minerals Management
- Shannon Estenez, Principal Deputy Assistant Secretary - Fish and Wildlife and Parks
- Kate Kelly, Deputy Chief of Staff - Policy
- Rachael Taylor, Principal Deputy Assistant Secretary - Policy, Management and Budget
- Jennifer Van der Heide, Chief of Staff
- Martha Williams, Principal Deputy Director, Fish and Wildlife Service

### *U.S. Department of Energy:*

- Christopher Davis, Senior Advisor to the Secretary of Energy
- Ali Douraghy, Chief of Staff for the Office of the Under Secretary for Science & Energy
- David A. Mayorga, Energy Department Director of Public Affairs
- Shuchi Talati, Chief of Staff for the Office of Fossil Energy
- Jennifer Wilcox, Principal Deputy Assistant Secretary for Fossil Energy
- Avi Zevin, Deputy General Counsel for Energy Policy

## Federal judge tosses EPA's 'secret science' rule

At the start of February, Chief U.S. District Judge Brian Morris scrapped a regulation developed by the former Trump Administration to limit the scientific data and research information relied upon by the federal government to craft new rules or regulatory actions. In an attempt to create greater transparency behind government regulations and stop so-called "secret science" from being used to guide rulemakings, the U.S. Environmental Protection Agency (EPA) finalized new standards on January 6, 2021, under the rule titled "Strengthening Transparency in Pivotal Science Underlying Significant Regulatory Actions and Influential Scientific Information." This established new procedural requirements for the EPA, specially requiring the agency to clearly identify and make publicly available the science informing any significant regulatory proposal, amongst other measures.

However, in the case of the Environmental Defense Fund (EDF) vs. EPA -- which last month challenged the EPA rule for being in violation of laws over when rules become eligible to take effect -- the new Biden Administration promptly requested on February 1<sup>st</sup> that the rule be vacated and remanded back to the agency for further work. In light of the court's recent conclusion that the EPA's final rule was substantive, not procedural, the EPA agreed that the rule's legality was questionable as regulators lacked authorization to promulgate the rule pursuant to its housekeeping authority, the only source of authority identified in the final rule. Accordingly, Judge Morris quickly agreed to grant the request and vacated the EPA regulation.

## Larry Owen Hulsey, oil and gas leader and independent producer, passes away

The Texas Independent Producers & Royalty Owners Association (TIPRO) mourns the recent passing of Larry Owen Hulsey, who died January 22<sup>nd</sup> at the age of 77 at his home in Graham, Texas. Hulsey, known as a true friend of the oil and gas industry, was an involved member of TIPRO for over 40 years and at one point in the association's history was the chairman of TIPRO's Membership Committee. He also participated in a number of other oil and gas trade associations, showing his support of the domestic oil and gas industry and helping promote the important work of the energy sector.

Before forming his own petroleum company in 1977, Hulsey was associated with both major and independent oil and gas companies. He graduated with a B.S. degree in petroleum engineering from the University of Oklahoma, and received distinctions as a Certified Environmental Inspector, Certified Environmental Consultant, and as a Registered Professional Engineer in Texas. Earning a reputation as a hard worker who got things done, Hulsey later in his career was appointed by four state governors to the Interstate Oil and Gas Compact Commission (IOGCC), where he served for 18 years total. He also served for eight years as the Texas representative on the policy committee of the U.S. Department of Interior's Outer Continental Shelf Advisory Board. Hulsey was also named to the executive committee of the Texas State University Chancellor's Council.



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### 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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