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TIPRO
Texas Independent Producers and Royalty Owners Association

# New TIPRO report details recent workforce trends for the Texas oil & natural gas industry

The Texas Independent Producers & Royalty Owners Association (TIPRO) on Thursday, December 3rd published the latest installment of its "*Texas Oil & Natural Gas Industry Hiring and Workforce Trends Report*," examining employment trends in the Texas upstream, midstream and downstream sectors for the months of September and October 2020, including job postings, desired skills, qualifications, education and professional experience sought after for oil and gas applicants.

As referenced in the new TIPRO report, in September and October of 2020, there were 58,280 total job postings for the Texas oil and natural gas industry, of which 7,917 were unique, according to data collected by the association. These numbers extended a posting intensity of 7-to-1, meaning that for every seven postings, there was one unique job listing. This was close to the posting intensity for all other occupations and companies in the state (6-to-1), indicating average effort toward hiring for these positions. Meanwhile, there were 26,922 total job postings for just the Texas upstream sector from September to October, of which 3,429 were unique. These numbers show a posting intensity of 8-to-1. This is higher than the posting intensity for all other occupations and companies in the region (6-to-1), typically indicating that employers may be trying harder to hire for positions in this sector.

"As the state's leading association representing independent producers and royalty owners, TIPRO will continue to support legislative and industry-led efforts to examine labor needs within oil and gas to identify workforce gaps and the resulting effects on industry expansion post-COVID-19, economic growth, and increasing population," said TIPRO's President Ed Longanecker.

Industry employment opportunities continued to largely be concentrated in cities including Houston, San Antonio, Midland and Odessa, according to the TIPRO analysis. Meanwhile, The top qualifications for unique job postings included: Commercial Driver's License (CDL), Master Of Business Administration (MBA), Bachelor of Science in Business and Tanker Endorsement.

"Despite an unprecedented array of challenges facing the Texas oil and natural gas industry this year, the sector continued to provide significant economic support to the state and will continue to do so for decades to come," said Brent Hopkins, chairman of TIPRO and CEO of Suemaur Energy. "As the industry continues to recover, ensuring access to a qualified workforce will be essential to its future, as the industry will have to overcome two significant hurdles from an employment perspective. First, the combination of an ill-conceived price war followed by the market destruction of the COVID-19 pandemic has driven a large number of the baby boomer generation out of the industry, many of which will not return, thus expediting the 'great crew change' that was already underway. Secondly, the perception of a hydrocarbon-free future has driven enrollment at the university level in disciplines critical to our industry to new lows. Just to recover to the levels of production Texas achieved at the end of 2019 will require a lot of additional manpower, and more importantly grey matter," added Hopkins.

See TIPRO's complete workforce analysis by visiting www.bit.ly/TIPRO_Workforce_Report_December2020. For additional information on industry wages, employment figures, and other oil and gas insights, also be sure to check out the 'TIPRO's Reports' section on the association's website at: http://tipro.org/newsroom/tipro-energy-reports.

# The federal government expects U.S. oil output to remain relatively flat through 2021

Domestic oil production may not recover to pre-COVID-19 levels as quickly as first thought. That's at least according to new projections released by the U.S. Energy Information Administration (EIA), which indicate that U.S. crude oil production will generally hover near current levels by the end of 2021. In the EIA's latest monthly *Short-Term Energy Outlook*, analysts have forecasted U.S. crude oil production will likely decline through the first half of 2021 before starting to increase again in the second half of the year.

Growing cases of the novel coronavirus (COVID-19) have dampened expectations of a recovery anytime soon in global petroleum demand. As new restrictions are added in parts of the country, and lockdowns reinstated in parts of Europe, gatherings and travel will remain limited, affecting energy demands for the foreseeable future. Consequently, new forecasts from the EIA project annual global petroleum demand will not recover to pre-pandemic levels (101.5 million barrels a day in 2019) through at least 2021. The EIA forecasts that global consumption of petroleum will average 92.9 million b/d in 2020 and 98.8 million b/d in 2021.

Though petroleum demands will continue to be limited, the EIA does indicate oil prices will grow in the coming year, with the Brent crude oil price increasing from its 2020 average of $41 per barrel to $47 per barrel in 2021.

## President's Message

TIPRO members,

Our organization, staff and members are preparing for what will be a very unique legislative cycle next year. Many of our state leaders have already acknowledged that the Texas legislature will face one of its most challenging sessions in recent memory once lawmakers convene in Austin in January, given the novel coronavirus (COVID-19) pandemic and the state's economic downturn. We know that in 2021, Texas legislators will be obligated to pass a state budget, and also will need to take up redistricting of Texas' political maps, but given current conditions and circumstances, it remains uncertain what other major initiatives or priorities could be addressed or deemed essential next spring. Many of these issues have been discussed during TIPRO's numerous virtual policy forums this year with elected officials and during our recent State Issues Committee meeting. If you are not currently on TIPRO's State Issues Committee distribution list and would like to stay abreast of legislative issues that could impact your business, we would be happy to add you.

Though the exact structure and look of session are unclear at this time due to COVID-19, we know it won't be business as usual. The corridors and hallways inside the capitol building, normally bustling with activity during any given session, are more than likely to remain quiet come January, as health protocols keep government officials, lobbyists, the press and members of the public safely distanced from one another and access to the capitol building stays tight. From what we know, logistical considerations on exactly how the upper and lower legislative chambers will conduct business in this era of COVID-19 are still up in the air, but with the countdown to session underway, Senate and House members see the clock ticking to resolve ways to keep all individuals safe, while still providing public access and transparency to the law-making process.

Despite such challenges, TIPRO has continued to deliver consistent representation and advocacy engagement on behalf of our membership by working with state officials and their staff to make our legislative priorities known well before the legislature gavels into session early next year. Taxes, eminent domain reform and transportation initiatives are just a few of the legislative items we expect to concentrate on in 2021. Our organization also continues to reinforce the importance of the oil and natural gas industry. As an example, TIPRO has sent letters to all Texas House and Senate members, which emphasizes the economic contributions from our industry, including direct industry employment, payroll, the number of businesses, oil and natural gas production and total value, severance taxes paid, and the Gross Regional Product for oil and gas for each legislative district.

Another area of focus by TIPRO and the legislature is the industry's workforce. Accordingly, TIPRO this week published a new report offering insights on employment and hiring trends for Texas oil and gas companies earlier this Fall, capturing the number of job postings in the Texas upstream, midstream and downstream sectors in the months of September and October, and also looking at the types of skills and qualifications employers hope to see from applicants. I hope all our members will take some time to review our findings in this new report, which may accessed via the link listed on the first page of this newsletter.

Beyond providing important industry data and analysis, our work is also intended to identify challenges facing employers and discuss how we can effectively address those issues through collaboration, funding and training at the local and state levels to prepare, attract and retain talent. TIPRO supports workforce development efforts by promoting existing training programs, facilities and related resources, and working with the Texas legislature and state agencies to advance policy initiatives that will help support long-term workforce needs. With the right policies in place, Texas can prepare the workforce of the future to allow the continued success of the oil and gas industry and other key sectors in the state that heavily rely on it.

As we head into this next legislative session, we will need to be prepared to have meaningful conversations and lead discussions regarding the importance of oil and gas. TIPRO is committed to working with all officials, regardless of party affiliation, to reinforce the importance of the oil and natural gas industry and to help promote sound, science-based energy policies at all levels of government. We hope next session will be productive and that you actively engage in the process with our organization. Please be sure to register for our next virtual policy forum with Texas State Representative Drew Darby, vice chairman of the House Committee on Business & Industry and member of the House Committee on Energy Resources on December 8, 2020, 10:00 a.m. CST. Members can register at: https://bit.ly/2L5jIM5. Thank you,

Ed Longanecker

## Presumptive House speaker Dade Phelan announces senior staff selections

Texas State Representative Dade Phelan (R-Beaumont), the expected next speaker of the Texas House of Representatives, on Wednesday, December 2nd announced senior staff that will support him in his role leading the House chamber. Mark Bell will serve as deputy chief of staff for the office of the speaker, Kelly Mitchell will lead office operations and Jay Dyer will be director of policy.

### TIPRO Calendar of Events

| DECEMBER 8, 2020 | DECEMBER 17, 2020 | JANUARY 27, 2021 |
|---|---|---|
| VIRTUAL EVENT — TIPRO policy forum with State Representative Drew Darby. For information, please email rpaylor@tipro.org. | CONFERENCE CALL — TIPRO State Issues Committee Meeting. For information, please email rpaylor@tipro.org. | VIRTUAL EVENT — Hart Energy's Executive Oil Conference. For information, please call (713) 260-6400. |

## Feedback requested on State of Texas Advanced Recovery (STARR) Program and TexNet

As recently discussed during the TIPRO State Issues Committee meeting, the Bureau of Economic Geology (BEG) has submitted its budget request, formally referred to as a Legislative Appropriations Request (LAR), through The University of Texas at Austin. The major uses for the BEG's line item funding include: core warehouses in Austin, Houston and Midland with 2 million boxes of well core and other rock material; log library with 1.8 million geophysical logs; geological outreach for grades K-12 in schools throughout Texas; technical and testimony support for scientific issues of the Texas Legislature; and supporting the work of the State Geological Survey of Texas and office of the State Geologist.

The BEG also has submitted a separate appropriations request for TexNet, the state's seismic monitoring network. BEG is requesting additional funding from the 87th Texas Legislature that will be used for 60 additional seismometers, technical staff, mapping of Texas faults with annual updates, and the scoping and implementation of seismicity response protocols.

Also included in the BEG LAR is the State of Texas Advanced Resource Recovery (STARR) program's legislative request. The STARR Program recently released an interim report covering the first 17 months of the 2018 to 2020 biennium, and calculates that STARR had generated $80.58 million in severance taxes and royalty income for the state up to the time of the report, or a return of 8.1 times the state's investment. The report also lists details about recent STARR "field" and "regional" studies across the state, and includes copies of a number of letters of cooperation and acknowledgement from various industry partners.

TIPRO requests your feedback regarding the importance of STARR and TexNet. Please email TIPRO's Director of Government and Regulatory Affairs Ryan Paylor at rpaylor@tipro.org, and confirm if you support these programs and funding requests. Additional details can be found at the links below.

To view the referenced State of Texas Advanced Resource Recovery (STARR) Program Interim Report, see: https://bit.ly/37Az1DQ.

To view the BEG's Legislative Appropriations Request, please visit: https://bit.ly/3qjrodE.

## Despite dire predictions, Texas' budget not looking as bad as initially feared

While providing a fiscal update to the Legislative Budget Board this week, Texas Comptroller of Public Accounts Glenn Hegar indicated that the state's finances were actually looking better than originally feared after the outbreak of the novel coronavirus (COVID-19) pandemic earlier in the year. Budgetary shortfalls for Fiscal Year 2021 likely will not be nearly as large as projected in the revised Certification Revenue Estimate (CRE) published this past July, said the comptroller, making work for state lawmakers on the next budget "much more manageable," he suggested. This summer, after updating the state's CRE, the comptroller's office had predicted that general revenue available for the state's two-year budget would be roughly $11.5 billion less than originally estimated, putting Texas on track to end the budget cycle with a deficit of $4.58 billion. Fortunately, since July, the state's current financial condition has improved and revenue collections are performing a little better than expected, supported in particular by higher levels of consumer spending and online retail shopping that's kept sales tax collections up.

Despite encouraging signals from fiscal activity, crafting the 2022-23 budget will still be a difficult exercise, warned the comptroller. Revenues remain down significantly relative to a year ago and the future remains uncertain.

Before the start of the next legislative session, the comptroller will publish the official Biennial Revenue Estimate (BRE) on January 11, 2021, giving lawmakers a clearer picture of how much funding should be available for general-purpose spending over the next two years.

## Texas adds $2.27 billion to State Highway and Rainy Day Funds

Before the end of November, Texas Comptroller Glenn Hegar announced that $2.27 billion in funding had been transferred into the State Highway Fund and the Economic Stabilization Fund, commonly known as the Rainy Day Fund. Each fund received more than $1.13 billion, or 50 percent of the total transfer.

Transfer amounts for the State Highway Fund and the Rainy Day Fund are based on crude oil and natural gas production tax revenues in excess of 1987 collections. If either tax generates more revenue than the 1987 threshold, an amount equal to 75 percent of the excess is transferred, according to the comptroller.

The economic contraction associated with the novel coronavirus (COVID-19) pandemic and volatility this year in oil prices has led to transfer amounts being lower than the $1.66 billion each fund received in Fiscal Year 2020. Still, the money collected from oil and gas severance taxes will nevertheless be used to support the Rainy Day Fund and help to pay for road construction and maintenance across Texas.

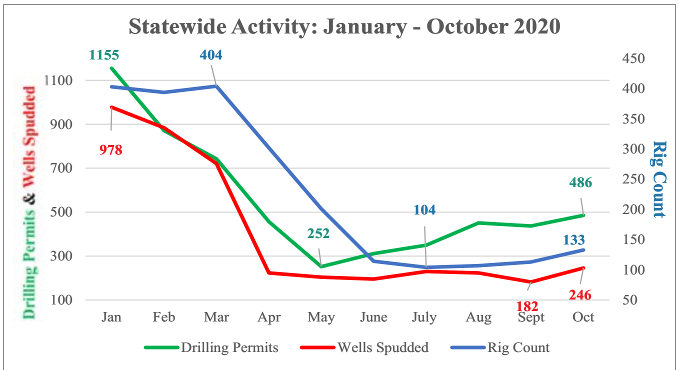
"The Rainy Day Fund and the State Highway Fund are critical pieces to ensure Texas' continued economic strength," Comptroller Hegar said. "The State Highway Fund is a key funding source for the transportation infrastructure that is fundamental to our economy, and the importance of maintaining a healthy Rainy Day Fund to help weather unforeseen economic downturns has never been more clear than it has been in recent months," he emphasized.

Following this most recent transfer, the new balance will of the Rainy Day Fund is approximately $10.7 billion, not accounting for current outstanding spending authority of approximately $1.86 billion. It also remains to be seen if state lawmakers will decide to pull additional funding from the Rainy Day Fund in the next legislative session to cover budgetary shortfalls and pay for critical state programs and services.

# Texas' energy regulators look at impact of COVID-19 to oil & gas drilling activity

How has the novel coronavirus (COVID-19) pandemic affected E&P levels in Texas? It's a question no one in the oil and gas industry can escape after this year's COVID-19 health crisis dealt a serious blow to Texas' energy sector by contributing to a rapid and unprecedented decline to statewide drilling activity in all major energy-producing formations. With 2020 soon drawing to a close, the Texas Railroad Commission last month looked back in its November installment of the commission's *'Energy Minute'* publication at how the COVID-19 pandemic specifically has affected drilling across the state over the course of the year, and consequently caused production output to plummet in the oil patch.

Since the onset of the pandemic, the statewide rig count, number of drilling permits issued, and total count of wells spudded (when drilling commences on a new well) fell to less than 25 percent of the highs recorded in winter 2020. Drilling permits hit a low of 252 in May and grew to 486 in October, said the Railroad Commission, while the statewide rig count climbed from a low of 104 in July to 133 in October. The number of wells spudded has also slightly increased from observed summertime lows, observed the state agency.



Source: Texas Railroad Commission

In the Permian Basin, the commission reported the total number of rigs (including Texas and New Mexico) fell by 82 percent between March and July (415 to 73), citing Baker Hughes' rig count data. In the months following July, the region's rig count has modestly increased nearly every week, hitting a count of 88 rigs in operation in October. The number of drilling permits issued by commission meanwhile dropped from a high of 710 in January, to a low of 156 in May, and has seen a slow rebound with 297 permits issued in the month of October.

Since the springtime when the COVID-19 outbreak took off, the Eagle Ford Shale, Texas' second largest hydrocarbon generating formation, also experienced significant drops, noted the Railroad Commission. Rig counts within the Eagle Ford plunged from a high of 70 in February, to just nine in August. Seven rigs were added to the region's inventory by October. Otherwise, drilling permits issued by the Railroad Commission for the Eagle Ford declined by 93 percent between January and July, before growing again to 66.

See more on the impact of COVID-19 to Texas' energy sector by reviewing the most current edition of the Railroad Commission's '*Energy Minute*,' available at: https://bit.ly/39tyu9D.

# Texas Railroad Commission migrates free data sets to HTTPS

The Texas Railroad Commission announced on November 23rd that its free data sets available for download through the agency's website have been migrated to HTTPS. This transition will give direct access to data without need of a username or password and also will allow the public to select and download multiple files at one time. The commission does note to users that any bookmarks to past preferred data sets will need to be reset.

The updated webpage containing links to the agency's data sets also includes information on frequency of updates, links to the manuals and links to useful information regarding each data set available, added the Railroad Commission.

To access the data sets, visit the commission's website at https://bit.ly/39AlDlU.

# Wayne Christian selected as vice chair of national energy compact commission, the IOGCC

Texas Railroad Commissioner Wayne Christian was recently selected to become vice chairman of the Interstate Oil and Gas Compact Commission (IOGCC). The IOGCC, a multi-state government agency formed over 80 years ago, brings together leaders of 31 oil and gas producing states to resolve common issues in the industry without federal intervention. Christian has served on the IOGCC as an official representative for Texas by appointment from state Governor Greg Abbott since 2017.

"I am honored to enter this new leadership role for our nation's oldest and most respected energy compact commission," Commissioner Christian commented. "I look forward to using my role to advocate on behalf of consumers and oil and gas industry that face unprecedented challenges due to COVID-19 and unjustified political attacks."

Despite the political attacks, Christian asserts that the energy industry has every reason to be optimistic for its future success, something he'll work for at the IOGCC. "We have the reserves. We have the technology. We have the long-term demand," continued Commissioner Christian. "From the so-called Green New Deal to the Environmental, Social and Governance investment movement, the oil and gas industry's primary issues are almost entirely political," he detailed.

Earlier this year, Commissioner Christian authored a resolution formally passed by the IOGCC that urged the U.S. government to investigate excessive dumping of crude oil in international markets by Saudi Arabia and Russia and take action as appropriate. The global oversupply of oil instigated by Saudi Arabia and Russia, combined with the outbreak of COVID-19 pandemic, triggered a historic downturn in crude oil prices and fuel consumption, forcing North American oil and gas producers to dramatically reduce output levels and cut workforce, amongst other significant economic implications. This in turn threatened the economic vitality of the energy industry in the United States of America and jeopardized national security consequently, prompting Christian to champion the resolution before the IOGCC in July that called for action by America's federal government.

## Texas jobless claims fall to lowest level since March

Texas' unemployment rate in October dropped to its lowest level recorded since the onset of the coronavirus (COVID-19) pandemic, officials announced in late November. The state's unemployment rate in October was 6.9 percent, an improvement from the 8.3 percent jobless rate recorded in September, according to new employment statistics released from the Texas Workforce Commission (TWC). The Texas unemployment rate for October 2020 was on par with the national unemployment rate of 6.9 percent, noted the TWC.

A year ago, the Texas unemployment rate was holding steady at 3.4 percent, the lowest unemployment rate on record since series tracking began by the state in 1976. Before the COVID-19 pandemic caused economic disaster, the state's vast economy was thriving and the Texas labor market was booming. At the time, the Midland Metropolitan Statistical Area (MSA) had the state's lowest unemployment rate among all of Texas' MSAs with a non-seasonally adjusted rate of 2.1 percent.

Today, regions close to the oil patch still hold unemployment rates higher than the state and national averages, however. The Midland MSA in October recorded an unemployment rate of 8.1 percent, Odessa had an 11.4 percent unemployment rate the same month and Houston had a 7.7 percent unemployment standing, for instance.

"While the unemployment rate captures only a snapshot of our economy at a specific moment in time, the job growth we have seen over the past six months shows an enduring strength in the state's economy," affirmed TWC Chairman Bryan Daniel.

"Our Texas employers continue to make positive strides, even during the uncertainty of this pandemic," added TWC Commissioner Representing Employers Aaron Demerson.

While the Texas workforce appears to be making a comeback, many fear a new wave of COVID-19 cases breaking out across Texas could slow the state's economic recovery from this year's health crisis, and lead to more lockdowns and layoffs. Greg Abbott, the governor of Texas, has said he will not impose statewide restrictions forcing Texans to stay home, with hopes that distribution of a vaccine in the near future will slow the spread of COVID-19 and keep the Texas economy moving while businesses hope to still allow their workers to remain employed.

## New federal report covers April's historic oil crash

The Commodity Futures Trading Commission (CFTC), an independent federal regulatory agency tasked with overseeing the U.S. derivatives market, last month published a comprehensive report examining the collapse of crude-oil futures to minus $40 a barrel in April. Inside the November 23rd analysis, authorities provided background, context, and observations focused on the West Texas Intermediate Light Sweet Crude Oil futures contract (WTI Contract) May 2020 expiration, which saw the price of oil fall from $17.73 per barrel to settle at -$37.63 per barrel on April 20, 2020, the day before the contract expired. This was the first time the WTI Contract had ever traded at a negative price since being listed for trading 37 years ago.

As part of its report, the CFTC identified some fundamental factors that coincided with, and may have influenced, the May Contract's trading and settlement at negative prices during the April 20th trading session, including an already oversupplied global crude oil market at the beginning of 2020; an unprecedented reduction in demand caused by COVID-19; and concerns about availability of global crude oil storage.

"This report presents important facts our career market oversight professionals and economists are able to share publicly and includes detailed analysis using non-public information and multiple sources of data," described CFTC Chairman Heath P. Tarbert.

While wide-ranging in discussion, the CFTC review, however, has received criticism for avoiding any dialogue of whether market manipulation was a factor in the unprecedented plunge to oil prices, and also does not detail any direct answers or root cause for the excessive volatility of the U.S. benchmark oil contract in April. Even a sitting commissioner of the CFTC vocalized dissatisfaction with the staff's report for being incomplete and inadequate.

"The report fails to determine the cause of the unprecedented plunge in the price of the WTI futures contract and divergence from physical markets on April 20, the penultimate day of trading in the May contract. Rather, it provides a general recitation of economic conditions in the weeks and days leading up to April 20, and offers only aggregated statistics regarding trading on that day. Unfortunately, this report does not provide the public with an adequate explanation for the extraordinary price collapse on April 20," commented CFTC Commissioner Dan M. Berkovitz.

Commissioner Berkovitz continued, "As the regulatory body responsible for ensuring the integrity and fairness of derivatives markets, the CFTC should provide an accurate analysis of the events that caused the sudden and extreme price movement on that one trading day, in a manner consistent with the requirements of the Commodity Exchange Act. By leaving out important facts and analysis, the 'interim, preliminary observations' in the report do not provide the public with a meaningful understanding of the events of that day and their implications for our markets."

Chairman Tarbert fended off such criticisms, however, maintaining the agency led the production of the report with dedication and professionalism, including as much analysis as appropriate. "While some may have hoped for a more definitive analysis, we simply cannot provide that at this time—just as we cannot confirm or deny media reports of investigations tied to these events. Nevertheless, we believe it is in the public interest to be transparent with the substantial information we do have and can share at this point in time."

To see CFTC report in its entirety, visit: https://bit.ly/3qioJB3.

## Texas Methane & Flaring Coalition highlights emerging technologies that reduce flaring

TEXAS
METHANE & FLARING
COALITION

The Texas Methane and Flaring Coalition (TMFC) held a virtual technology showcase on November 19th promoting emerging technology solutions that will help Texas producers reduce flaring and methane emissions. Six companies presented during the TMFC showcase last month, including Aspen Engineering Services, Axiom Energy Group, Ecovapor Recovery Systems, Flogistix, GHGSat and GTUIT.

TIPRO is a proud partner of the TMFC, established in December 2019 to develop industry-led solutions designed to mitigate and lower methane emissions and flaring levels in the state of Texas. The TMFC is a voluntary coalition comprised of over 40 Texas oil and natural gas companies and seven industry trade associations -- to find out more about the coalition or learn about any of the six participating companies from the recent showcase and their technological innovations, visit www.texasmethaneflaringcoalition.org.

## U.S. Fish & Wildlife Service seeks public comment for Dunes Sagebrush Lizard

Public stakeholders will have until December 21st to provide input to the U.S. Fish & Wildlife Service (USFWS) on an Enhancement of Survival permit application and draft Environmental Assessment for the dunes sagebrush lizard, a species that thrives in the Permian Basin region of West Texas and Southeastern New Mexico. As many may recall, the lizard was formally considered in 2010 for protection by the federal government under the Endangered Species Act (ESA), though voluntary industry and state-led conservation efforts to protect the existing habitat of the lizard allowed the USFWS to later determine that the species would not need to be officially listed as an endangered or threatened species.

To ensure long-term conservation of the dunes sagebrush lizard, operators and landowners continue today to pursue measures that prevent danger of extinction for the species. Accordingly, the permit application being sought is supported by a draft Candidate Conservation Agreement with Assurances (CCAA) designed to achieve a net conservation benefit for the species.

Enhancement of Survival permits are issued to non-federal landowners participating in a CCAA. According to the USFWS, the permit would cover incidental "take" of the dunes sagebrush lizard associated with oil and gas exploration and development, sand mining, renewable energy development and operations, pipeline construction and operations, local government activities, agricultural activities, and general construction activities within the CCAA permit area that could affect suitable habitat.

The Enhancement of Survival permit application proposes to authorize the development of 34,690 acres of suitable dunes sagebrush lizard habitat over the next several decades in Andrews, Gaines, Crane, Ector, Ward, and Winkler Counties, Texas. These agreements encourage landowners to take actions to benefit species while also providing assurances that they will not be subject to additional regulatory restrictions for the life of the permit. If approved, the requested permit would become effective and authorize incidental take of the dunes sagebrush lizard should it become federally listed during the life of the permit and CCAA under the ESA. The permit would remain in effect for up to 23 years – until the CCAA's expiration date or until surrender by the permittee, unless it is suspended or revoked by the service, notes the USFWS.

To view the USFWS' complete notice as published in the *Federal Register*, or to find instructions on how to comment on the permit application, please visit: https://bit.ly/39wvYzi.

## Watch TIPRO's 'unraveling the energy narrative' virtual forum with Dr. Scott Tinker

The future energy dialog varies widely. Western Europe and the United States suggest there is "clean, renewable" energy and "dirty, non-renewable" energy, and promote clean energy as now "cheaper" than dirty energy. In this narrative, "carbon neutral" is growing in popularity. Some propose to eliminate coal, oil and natural gas altogether, and suggest that solar, wind and batteries can power the world and address climate change. But are solar, wind and batteries really clean, cheaper, and renewable, and can they actually address climate change?

A different narrative exists in much of the rest of the world, led most profoundly by China and Southeast Asia, where billions of people seek affordable and reliable energy to lift themselves into economic prosperity. Here, the energy narrative must be interpreted by examining actions, which often stand in stark contrast to the political rhetoric.

Based on affordability and reliability, emerging and developing economies have mostly acted to power with coal, hydro, natural gas and nuclear, supplemented by solar and wind. Further, although the environmental concerns of the developing world include the climate, they are more acutely and sincerely focused on economic growth, and reducing local pollution of water, soil, and air, all of which impact the health and safety of billions of citizens today.

Given these two narratives—and recognizing that the U.S. and Europe represent less than 7 percent of global population—the actions of the rest of the world will drive the energy future.

TIPRO recently reviewed such concepts during a virtual forum with expert Dr. Scott Tinker, the director of the Bureau of Economic Geology (BEG) at The University of Texas at Austin. View the recorded session of this exclusive TIPRO discussion by visiting: https://bit.ly/2JxTeCr.

# Final Gulf of Mexico lease sale under the Trump admin draws increasing number of bids

The last offshore Gulf of Mexico oil and gas lease sale of the year, and the final one to be conducted under the Trump Administration, posted promising results despite significant market uncertainties currently facing America's oil and gas producers. Though low oil prices remain a leading concern for the nation's energy industry and the country as a whole continues to struggle with its response to the novel coronavirus (COVID-19) amid a rising number of reported cases, which has severely impacted energy demands, oil and gas companies in the United States nonetheless did not hold back from bidding on U.S. Gulf of Mexico acreage during the federal government's recent offshore lease sale on November 18, 2020. Altogether, the U.S. Interior Department and the Bureau of Ocean Energy Management (BOEM) reported more than $120.8 million in high bids were collected during Lease Sale 256 for 93 tracts covering 517,733 acres in federal waters of the Gulf of Mexico. A total of 23 companies participated in the BOEM's lease sale last month.

This level of bidding activity was higher than initial expectations, regulatory leaders said, especially given the previous lease sale held this past March, right as the COVID-19 pandemic was starting to unfold in the United States, generated $93 million for 71 tracts covering 397,285 acres in federal waters of the Gulf of Mexico.

"The continuation of safe and reliable oil and gas from the Gulf of Mexico is crucial for America's economy and energy portfolio. Lease sales have been held in Gulf federal waters since 1954, and the sustained presence of large deposits of hydrocarbons in these waters will continue to draw the interest of industry for decades to come," commented U.S. Deputy Secretary of the Interior Kate MacGregor.

The November Lease Sale was the seventh offshore sale to be held under the 2017-2022 National Outer Continental Shelf (OCS) Oil and Gas Leasing Program. Revenues received from OCS leases are directed to the newly created National Parks and Public Land Legacy Restoration Fund, as well as the U.S. Treasury, the Land and Water Conservation Fund, the Historic Preservation Fund, and certain Gulf Coast states (including Texas, Louisiana, Mississippi, Alabama). The states use these funds to support coastal conservation and restoration projects; hurricane protection programs; and activities to implement marine, coastal or conservation management plans.

"Responsible oil and gas development in the Gulf of Mexico hit record production in FY19, ensuring well-paying jobs, revenue for our state partners and for our parks and other public lands, and low energy prices for American families and businesses," MacGregor continued. "The fact that all of the blocks offered today have been offered many times over the last few decades and exceeded expectations by generating $120 million in high bids, demonstrates the long term economic promise contained in the world's preeminent offshore basin."

With encouraging results from the recent offshore lease sale, the BOEM already has proposed its next region-wide Gulf of Mexico oil and gas lease sale for next March, when approximately 78.2 million acres will be offered. "Despite circumstances imposed by COVID-19, we are confident that industry remains interested in acquiring new leases to support their portfolios," said Mike Celata, director of BOEM's Gulf of Mexico region. "The Gulf of Mexico is a world-class resource area that serves a key role in our nation's energy security."

# New geological maps of the Wolfcamp formation published by the EIA

The U.S. Energy Information Administration (EIA) this Fall released new structure and thickness maps for the Wolfcamp play in the Midland Basin, helping to better define the areas where hydrocarbon extraction is economical within the formation. The Wolfcamp, and Midland Basin respectively, are part of the larger Permian Basin that spans across Western Texas and Southeastern New Mexico. This shale formation has been of particular interest to many oil companies over the years because of its stacked potential (with placement of multiple hydrocarbon-producing zones on top of one another), describes EIA experts.

As captured by the EIA's updated geological maps, the Wolfcamp formation has four different intervals, or benches, which are designated from top to bottom as A, B, C, and D. Each bench displays different characteristics in terms of lithology (the physical characteristics of rocks), total organic carbon content, and thermal maturity. Most of the current drilling activities in the Midland Basin target the upper Wolfcamp A and B benches, says the EIA. In fact, in 2019, the A and B benches generated 95 percent of total Wolfcamp hydrocarbon production in the Midland Basin.

EIA's illustrations and maps help to visualize the sedimentary formations that comprise the Midland Basin, including the Wolfcamp play which has a long legacy of development dating back almost 80 years. Though producers have taken advantage of drilling opportunities in the Wolfcamp since the 1940s, the EIA notes that advancing technologies and stimulation techniques relating to hydraulic fracturing have contributed to a surge in more recent times of hydrocarbon production inside of the shale play. Between 2010 and July 2020, more than 8,800 Wolfcamp horizontal wells were completed in the Midland Basin, according to EIA estimates. "Of the sedimentary formations that comprise the Midland Basin, the Wolfcamp is the deepest and thickest but varies significantly across the basin," notes EIA researchers. "The Wolfcamp subsea depth varies from -2,000 feet in the east along the Eastern Shelf to -7,000 feet along the basin axis, near the western basin edge. The thickness of the entire Wolfcamp formation ranges from 950 feet to more than 3,600 feet in the Midland Basin, and the thickest areas are in the east along the Eastern Shelf."

# U.S. Senate confirms President Trump's picks for FERC

The U.S. Senate voted on Monday, November 30th to simultaneously confirm the nominations of Mark Christie and Allison Clements to join the Federal Energy Regulatory Commission (FERC), an independent regulatory body responsible for reviewing energy infrastructure projects. With the addition of Christie and Clements to FERC, the commission's leadership panel will be restored its full quorum of five members for the first time in years. Christi, a Republican and the chairman of the Virginia State Corporation Commission, along with Clements, a Democrat who most recently has advised the Energy Foundation as a policy consultant, were presented as FERC candidates over the summer by President Trump, though not until the Elections passed did the full Senate body vote to confirm their nominations.



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