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THE TIPRO TARGET

Texas Independent Producers and Royalty Owners Association

Leading into second half of the year, U.S. oil and gas production poised for further growth

In a new outlook, experts at the U.S. Energy Information Administration (EIA) are forecasting U.S. crude oil production to average 11.9 million barrels per day (bpd) for the year and later in 2023 top 12.8 million bpd. If achieved, this trajectory would put domestic oil output on track to surpass the record average production of 12.3 million bpd set in 2019.

"A high level of uncertainty remains in our outlooks, but we have consistently forecast that elevated crude oil prices would help drive record-level annual U.S. oil production levels in 2023," said EIA Administrator Joe DeCarolis in a statement. "Low global oil inventories coupled with continued high demand for gasoline, diesel, and other petroleum products means that increased production likely won't have much impact on prices in the short term."

With higher commodity pricing, oil and gas producers are responding to calls to increase production to provide more energy supplies to the nation and world. Much of the domestic production growth in 2022 will be driven by rising oil output from the prolific Permian Basin, the country's biggest shale oil basin. In June alone, Permian production is forecasted by the EIA to rise 88,000 bpd to a record 5.219 million bpd.

In the EIA's new May 2022 *Short-Term Energy Outlook (STEO)*, experts also estimate dry natural gas production will see significant gains this year, averaging 96.7 billion cubic feet per day (Bcf/d) in 2022, up 3.2 Bcf/d from 2021. Natural gas production then will grow to average 101.7 Bcf/d in 2023. Shale plays including the Haynesville and Appalachia Basin are expected to lead natural gas production growth in the United States.

Natural gas prices have doubled this year — and continue to soar

Since the start of the year, U.S. natural gas prices have skyrocketed and already more than doubled in value, with prospects of prices climbing even higher over the coming weeks and months. Forecasts for a sweltering hot summer across the U.S. and elevated weather-driven residential and commercial consumption of energy supplies is leading prices to go up even higher amid strong demand for natural gas. In addition to the spike in domestic demands for natural gas, international partners relying on shipments of liquefied natural gas (LNG) also are increasingly looking to the United States for energy supplies, placing greater market pressure on the commodity and pushing prices up even further.

The latest government outlook published by the U.S. Energy Information Administration (EIA) projects the Henry Hub price to average $8.59 per million British thermal units (MMBtu) in the second half of the year, reflecting an expectation for natural gas storage levels and inventory over the summer to remain less than the five-year (2017–2021) average. Leading into next year, experts signal pricing trends could cool off and the Henry Hub spot price may fall to an average $4.74/MMBtu in 2023, assuming that the rate of natural gas production in the United States will increase while LNG export and demand growth slow, contributing to higher storage levels in 2023.

Interior Department cancels massive offshore oil and gas lease sales

The U.S. government will not move forward with auctioning drilling rights in the Gulf of Mexico and Alaska's Cook Inlet, officials announced in mid-May, dealing another setback to American energy producers and the domestic oil and natural gas industry. At a time when Americans are already paying record-high energy prices, the Department of Interior confirmed it was dropping plans to hold Lease 259 and Lease 261 in the Gulf of Mexico due to "contradictory court rulings that impacted work on these proposed lease sales," according to a department spokesperson. The federal government's lease sale offering over 1 million acres off the coast of Alaska for development also was canceled from "lack of industry interest in leasing in the area," according to Interior officials.

Last summer, a nationwide preliminary injunction was issued by Judge Terry Doughty in the U.S. District Court for the Western District of Louisiana blocking President Biden's Executive Order 14008, signed in 2021 which declared a moratorium on future oil and gas leasing and drilling permits on federal lands while the federal government considered effects of new drilling and development to climate change. This court ruling followed a legal challenge filed from a coalition of 13 states, which included Texas, arguing that existing laws require lease sales on federal lands and waters. After the administration complied with court orders by holding an offshore lease sale last fall, the D.C. District Court then in January invalidated the sale held for drilling rights in the Gulf of Mexico, finding that government regulators failed to accurately consider the greenhouse gas emissions that would result from the lease sale. The court ordered the Bureau of Ocean Energy Management (BOEM) to complete additional analysis on the leasing plan's potential contributions to global emissions, though the Biden Administration ever since has proved reluctant to auctioning more drilling leases offshore.

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Chairman's message

Dear TIPRO members,

My term as your benevolent virtual dictator is coming to a close but I will assure you that TIPRO has made a giant step forward with the election of Jud Walker as the association's next chairman and I look forward to helping in the leadership transition any way I can.

This week, I received a phone call from a local television station wanting an interview about the price of gasoline and impacts of exorbitant fuel prices on the local community…as usual I am very cognizant of how subject matter in these interviews is almost always twisted to fit a narrative the media wants, though it did lead me to want to share some important points with TIPRO's audience. Many of us who are part of the industry recognize factors which influence the price of gasoline and diesel, though a few leading reasons currently contributing to the hike in gas prices include the following:

1. Pandemic-driven demand reduction, which in turn led to a tremendous decline in production and thus supply (some of this having been impacted by OPEC+ measures to stifle oversupply).
2. ESG-driven capital flight from energy-related "non-green" industry.
3. Rhetoric pushing false claims of "peak oil demand" and promoting an end of hydrocarbons.
4. Anti-oil and gas regulations and restrictions (leasing moratorium, pipeline cancelations and much more)
5. War in Ukraine affecting Russian supplies and contributions to the market (5 percent of world's oil, 1.1 MMBBLD diesel availability either directly or via sanctions).
6. Demand recovery occurring faster than expected.
7. Gasoline and diesel product inventories consequently falling rapidly.
8. Failure of European energy policies (that otherwise transitioned from having energy to no reliable energy).
9. Closure of refineries especially in 2020 during pandemic. (5 percent of U.S. capacity left market).
10. Inflation driven by government spending (making money), distributing it and people buying things when nobody was manufacturing.
11. The production oversupply before 2014 prompted by high oil prices caused financial chaos in some areas of the resource plays, leading investors to become anxious to see a return on investments before they go back into growth mode.
12. Supply chain issues and cost escalation challenges that are making it very difficult to ramp up production even in this price environment.

For the most part, the above are the consequences of bad policy decisions on the energy side, combined with worldwide economic lockdowns during the pandemic that has had direct impacts on energy supplies and demand. I believe the overall effects of energy policy decisions being made by the Biden White House have been minor so far but will have major implications in the future. Keep in mind that 25 percent of our domestic production comes from federal lands, some of which were leased, permitted and are being drilled to keep production up. Factoring in the decline rates in the resource plays and when the supply of permits is exhausted, the forthcoming production decline will be steep. Pipelines constraints in most markets were adequate before 2020 but production will not be able to rise without bottlenecks forming, which is sure to be impaired by government intervention and overregulation on the energy sector.

The government policies proposed so far to mitigate the inflation issue will hopefully not see the light of day. Rhetoric about price gouging is good for sound bites but price setting has been tried before and failed. A carbon border tax will be inflationary at best, as energy price increases are felt across all supply chains, likely leading to trade wars, and will ensure products made in the United States will be non-competitive in the world market. The bright side for America right now is that at least we still can get gasoline and diesel… I am certain most of the world will not have that luxury in the coming months.

As usual, the opinions expressed above are my own. Kind regards,

Brent Hopkins

Reminder: Make your vote count in Texas' primary runoff elections

Texas Secretary of State John Scott is encouraging Texans to cast a vote in the upcoming primary runoff elections, taking place on May 24, 2022. In the runoffs, voters will finalize party nominations at the federal, state and county levels to appear on the November General Election ballot, which will ultimately have an influence on the regulations and laws governing the state. This year, there are several high-profile seats included on the primary run-off ballot, including statewide races for railroad commissioner and land commissioner.

"The candidates you will be voting on have made it to the final round of their parties' primary elections, and this is your chance to decide who you want to compete for those public offices in November," said Secretary Scott. "Make sure to do your research on the candidates, make an informed decision, and prepare to make your voice heard in the runoff elections by visiting VoteTexas.gov!"

Don't forget that under Texas law, voters who cast a ballot in either party's primary election must then vote in the same party's primary runoff election. Voters who did not cast a ballot in the March 1st primary elections may vote in either party's primary runoff election.

Early voting for the primary runoff elections will end on Friday, May 20th and Election Day is next Tuesday, May 24. To view a list of candidates who will appear on the Democratic and Republican primary runoff ballots, go to https://bit.ly/3s9Q230.

TIPRO CALENDAR OF EVENTS

JUNE 21, 2022	JULY 19, 2022	AUGUST 16, 2022
HOUSTON — TIPRO/IPAA/HPF "Leaders in Industry" Luncheon. For information, email info@houstonproducersforum.org.	HOUSTON — TIPRO/IPAA/HPF "Leaders in Industry" Luncheon. For information, email info@houstonproducersforum.org.	HOUSTON — TIPRO/IPAA/HPF "Leaders in Industry" Luncheon. For information, email info@houstonproducersforum.org.

Governor Abbott appoints Cannon to TexNet Technical Advisory Committee

Texas Governor Greg Abbott announced earlier this month the appointment of David "Dave" Cannon to the TexNet Technical Advisory Committee for a term to expire at the pleasure of the governor. Cannon is senior vice president of geoscience and technology for Diamondback E&P, LLC, a member company of TIPRO. Cannon also is actively involved in groups dedicated to the discipline of geology and serves as a member of the Geologic Society of America, the American Rock Mechanics Association and Society of Petroleum Engineers. He is president-elect of the West Texas Geologic Society, and also part of the corporate advisory board of the American Association of Petroleum Geologists.

The mission of the Technical Advisory Committee is to advise the Bureau of Economic Geology (BEG) regarding its management of the TexNet seismic monitoring program and directly related research on earthquakes occurring within the state. The Technical Advisory Committee monitors progress and assesses TexNet's effectiveness, as well as assures state funds are appropriately allocated and expended through the TexNet program.

Texas congressman hosts Energy & Commerce leader on Permian tour of rig and frac site

Republican Congressman August Pfluger, who represents Texas' eleventh congressional district covering Midland and other areas in the Permian Basin, hosted Cathy McMorris Rodgers, ranking member of the U.S. House Energy and Commerce Committee, for a tour earlier this month of MCM Exploration's drilling rig and Diamondback Energy's hydraulic fracturing site.

After the rig tour, the congressman said, "The Permian Basin is the epicenter of oil and gas production in the nation. We produce more secure, affordable, reliable, and clean energy than anywhere else in the United States. It was an honor to host Cathy McMorris Rodgers, the Republican leader of the House Energy and Commerce Committee, in Midland for a first-hand look at the industry. Thank you to MCM Exploration and Diamondback Energy for giving Leader McMorris Rodgers and I a first-hand look at the innovation, entrepreneurship, risk, and hard work that goes into producing oil and gas."


Photo Source: Congressman Pfluger's office

Senator Ted Cruz warns Biden Administration's assault on oil and gas is hurting Texans

In a new editorial published in the *Dallas Morning News*, U.S. Senator for Texas Ted Cruz (R) warned of the impact of bad energy policies promulgated by the Biden White House that he says have forced Texans to pay higher energy bills and also caused economic damage to Texas and the country. The senator flagged the administration's assault on oil and gas, citing the cancellation of the Keystone pipeline, the moratorium to federal oil and gas leasing as well as delays to permitting on new natural gas interstate pipelines and exports, all of he cautioned have discouraged investment and production of fossil fuels needed to keep reliable, affordable supplies of energy available to Texans, Americans and also European allies and other trade partners. To see the senator's full column, visit: https://bit.ly/3wBYhq6.

U.S. Energy Department initiates long-term replenishment plan to refill the SPR

After President Joe Biden authorized three emergency releases of crude oil supplies from America's strategic petroleum reserve (SPR), the U.S. Energy Department in May said it intends to initiate a buyback process later in the year to replenish resources held in the country's reserves. This effort will begin in the Fall with a call for bids by the Energy Department to repurchase a third of the 180 million emergency barrels released from the SPR that has provided a wartime bridge supporting American consumers and the global economy in response to Russia's war against Ukraine. Following the execution of the first tranche of purchases to replenish the SPR, the department said it expects more planned purchases to collect oil supplies for the SPR.

"The U.S. SPR, the largest emergency supply in the world, is a valuable tool to protect the American economy and consumers from supply disruptions— whether caused by emergencies at home or petro-dictators weaponizing access to energy resources," said U.S. Secretary of Energy Jennifer Granholm. "As we are thoughtful and methodical in the decision to drawdown from our emergency reserve, we must be similarly strategic in replenishing the supply so that it stands ready to deliver on its mission to provide relief when needed most."

As part of this buyback plan, the Energy Department also signaled it intends to begin a rulemaking proceeding to consider broadening the government's buyback regulations to allow for a competitive, fixed-price bid process as an alternative to the index-pricing that is traditionally used. Further details on this regulatory effort were not immediately available.

SPR oil stockpiles fall to lowest level since 1987

Data from the U.S. Department of Energy showed in mid-May total volumes of oil held in the nation's Strategic Petroleum Reserve (SPR) have dropped to the lowest amount in nearly 35 years. As reported by *Reuters*, the amount of crude oil stored in the national oil storage reserve was down to 538 million barrels, the lowest recorded level since 1987. The design of the SPR system otherwise holds the capacity to store up to 714 million barrels of oil.

The SPR is the world's largest supply of emergency crude oil, though over the last year has been tapped multiple times by the federal government to alleviate impacts of market disruption and offer additional supplies to consumers. Last November, at the direction of President Joe Biden, the U.S. Energy Department authorized a release of 50 million barrels of crude oil from the SPR to try to control surging energy prices. The president again this past March agreed to an emergency sale of 30 million barrels of oil from the SPR to address significant market and supply disruptions related to the war in Europe, and later this spring, the White House initiated historic action by allowing the release of one million barrels per day from the SPR for six months.

SEC extends comment period for proposed rules on climate-related disclosures

The Securities and Exchange Commission (SEC) is extending the public comment period on its proposed rulemaking to enhance and standardize climate-related disclosures for publicly listed companies. This will allow interested persons and stakeholders additional time to analyze related regulatory issues pertaining to the new rule package and prepare their comments, which would benefit the commission in its consideration of final rules.

"The SEC benefits greatly from hearing from the public on proposed regulatory changes. Commenters with diverse views have noted that they would benefit from additional time to review these three proposals, and I'm pleased that the public will have additional time to provide thoughtful feedback," commented SEC Chair Gary Gensler.

The public comment period for the proposed rulemaking, *"The Enhancement and Standardization of Climate-Related Disclosures for Investors,"* will now end on June 17, 2022. The scope and comment process for this proposal remains as stated in the original Federal Register notice of April 11, 2022.

Comments may be submitted by using the SEC's internet comment form available at https://bit.ly/38sGEkA. All submissions should refer to File Number S7-10-22.

As TIPRO has reported previously to members, the SEC rule proposal notably would require companies to provide certain climate-related information in their registration statements and annual reports. The rule proposal by the SEC has garnered wide-spread attention and prompted concerns over the intent of the rulemaking which could expand the reach of the federal government and negatively impact U.S. businesses. There already has been serious consideration on the statutory authority of the SEC to require standardized information from companies on emission reduction targets and other climate-related disclosures, with some scholars and experts contending such regulatory oversight and management lies with other federal agencies including the Environmental Protection Agency (EPA), not SEC. There are also emerging criticisms over the costs associated with the rulemaking and additional expenses on companies, particularly smaller businesses, as a result of the SEC rule.

Federal legislators demand answers on SEC's expanding climate agenda

Republicans serving on the U.S. House Committee on Oversight and Reform in May called for more information to be made available to understand the U.S. Securities and Exchange Commission's (SEC) proposed rule that seeks to require publicly traded companies to disclose climate information as part of annual statements and reports. In a letter sent to SEC Chair Gary Gensler earlier this month, lawmakers highlighted concerns over the commission's climate disclosure rulemaking and requested a full briefing from the SEC on the rule's intent and impact.

"This is another example of the Biden Administration's attempt to extend the reach of the federal government to promote its radical climate agenda without any consideration of the burden(s) on small businesses," described lawmakers. "The Climate Disclosure Rule would represent the largest expansion of SEC authority without a clear legislative mandate from Congress. This extensive and complicated rule would be an overly broad expansion of the SEC's authority and contravenes the mission of the agency… The Biden Administration has signaled its intent to utilize every single federal agency to attack traditional energy sources and the related companies in their effort to establish a new market for green technology. From banning federal oil and gas leases to offering loan guarantees on speculative green technologies, this administration is committed to total war on traditional energy industries, which results in killing American jobs. Moreover, with the out-of-control Biden inflation skyrocketing, the compliance costs for these companies will ultimately result in even higher costs of goods and services for all Americans."

TIPRO members may read the complete letter to Chairman Gensler at: https://bit.ly/3wj0cRo.

Meanwhile, a separate group of House Republicans on the Financial Services Committee also in May requested a hearing with the chairman of the SEC and other members of the commission to review the SEC's expansive rulemaking agenda. Committee Republicans called on U.S. Representative Maxine Waters (D-CA), chairwoman of the legislative panel, to schedule a hearing with the full SEC to consider policies being considered by the commission and other actions that threaten to negatively impact entrepreneurs and businesses in the United States.

"As you know, on October 5, 2021, SEC Chair Gary Gensler testified before the Committee on Financial Services for the second time. The next day, Committee Republicans requested that you schedule a hearing with the full commission no later than April 2022. It is now May, and we have yet to hear from you," the Republicans advised in their letter to Chairwoman Waters. "Since then, the SEC has taken several actions outside the scope of its authority and jurisdiction, and it has done so without giving stakeholders a fair chance to provide input. It is imperative that our full committee convene to discuss the SEC's unprecedented rulemaking agenda and hear the full range of views on the commission… Unfortunately, over the last seven months, our concerns have been realized. After the October 2021 hearing, the SEC has embarked on a scorched earth rulemaking agenda that includes 54 separate items for Fall 2021 alone —perhaps 'the most ambitious agenda in the SEC's 87-year history.' Meanwhile, Chair Gensler has set 'short and overlapping comment periods' as the new normal for the SEC. This undermines the public's role in the rulemaking process and invites litigation, among other things."

To see the full letter to Chairwoman Waters, please go to https://bit.ly/3NniJBw.

To date, no legislative hearing with the SEC.has been added to committee calendars.

Cancellation of offshore lease sales prompts doubt on federal offshore program... from Page 1

Republican lawmakers have slammed the administration's decision to scrap oil and gas leasing, and continue to demand the president promptly end his war on American energy. "Mere days after gas prices hit historic highs, President Biden is killing new offshore leases for the rest of the year. This keeps us squarely in the arms of OPEC+ countries to meet our energy needs. The decision is a slap in the face to Americans who are already being forced to choose between sky high gas bills and grocery bills," House Committee on Natural Resources Ranking Member Bruce Westerman (R-Arkansas) said last week.

House Republican Whip Steve Scalise (R-Louisiana), who is part of the House Energy Action Team (HEAT), also issued a statement alongside HEAT Co-Chairs Representative Jeff Duncan (R-South Caroline) and Markwayne Mullin (R-Oklahoma) blasting last week's announcement and warning that the cancellation of three offshore oil and gas lease sales off the coast of Alaska and in the Gulf of Mexico effectively ends any chance of an offshore lease sale being held this year. "Lease sales are required by law and critical for establishing short-term stability and long-term predictability in oil and gas markets. This egregious failure by the Biden Administration shows they are more concerned about bowing down to their leftist anti-energy radical friends, and their failures will only exacerbate the pain families are feeling at the gas pump… This decision not to hold lease sales sets America back further from reclaiming energy dominance and increases inflation by making us more dependent on foreign countries like Russia and Iran for our energy. President Biden needs to reverse his failed anti-American energy agenda and start putting the needs of the American people in front of the desires of the radical left."

Meanwhile, as the U.S. shuts off opportunities to drill for oil and gas offshore by canceling the scheduled lease sales, great uncertainty remains on the future of offshore development as the Biden Administration has yet to disclose plans for a new five-year program for federal offshore leasing after the current five-year plan is due to expire at the end of next month. Industry leaders, joined by officials from oil-and-gas producing states, continue to press the president and his cabinet to act immediately on the new five-year program for federal offshore leasing in order to generate greater volumes of energy supplies and also give regulatory stability to producers.

Texas Democratic officials join calls to open up offshore oil and gas leasing

In order to address a growing global energy crisis, alleviate pressures on rising household energy bills and control mounting inflationary prices, officials continue to push for President Joe Biden to flip the switch on American oil and gas production and unleash domestic energy output. Days before the Biden Administration revealed it was dropping plans for offshore lease sales, a group of Texas Democrats serving in the U.S. House of Representatives wrote to the president about the importance of offshore oil and gas development. U.S. Representatives Vicente Gonzalez (D-TX15), Henry Cuellar (D-TX28), Sylvia Garcia (D-TX29) and Lizzie Fletcher (D-TX07) sent a letter to President Biden the first week of May standing up for the energy industry and offshore development. As the largest producer of both oil and natural gas, the lawmakers acknowledged that the United States can and should be doing more to meet the global energy demand, as well as provide much-needed relief for U.S. consumers and businesses suffering from inflationary prices. The policymakers called on the president to safeguard American energy affordability and reliability by promptly publishing a new five-year plan for offshore oil and gas leasing that will facilitate the production of domestic oil and natural gas in the near-term and also support a regulatory environment conducive to mid- and long-term investments across the energy sector that will ensure the United States does not find itself confronting a future energy crises at home.

"One important action your administration can take to ensure American energy independence is to publish a new five-year Outer Continental Shelf Oil and Gas Leasing Plan ("five-year plan") as required under the Outer Continental Shelf Lands Act of 1953. Finalizing the five-year plan, with frequent area-wide leases, would help bring millions of additional barrels of U.S. oil to market… According to a recent analysis by Energy and Industrial Advisory Partners, a further delay of federal offshore leasing could result in 500,000 fewer barrels of domestic oil produced per day, 60,000 lost jobs, and a $900 million per year decrease in federal conservation funding," stated the representatives in their letter.

White House shares new 'action plan' to propel infrastructure reviews

The Biden Administration is hoping to speed up permitting and reviews of energy infrastructure projects with a new multi-step "action plan" released in May. White House officials said the action plan is built around five key elements that will strengthen federal approaches to environmental reviews and permitting, including the following:

- Accelerating permitting through early cross-agency coordination to appropriately scope reviews, reduce bottlenecks, and use the expertise of sector-specific teams.
- Establishing clear timeline goals and tracking critical project information to improve transparency and accountability, providing increased certainty for project sponsors and the public.
- Engaging in early and meaningful outreach and communication with Tribal Nations, States, territories, and local communities.
- Improving agency responsiveness, technical assistance, and support to navigate the environmental review and permitting process effectively and efficiently.
- Adequately resourcing agencies and using the environmental review process to improve environmental and community outcomes.

With plenty of questions still remaining to be answered about the administration's efforts to improve permitting and ongoing regulatory uncertainties presenting barriers to infrastructure growth, U.S. Transportation and Infrastructure Committee Ranking Member Sam Graves (R-MO) and Highways and Transit Subcommittee Ranking Member Rodney Davis (R-IL) said the White House's latest action plan for infrastructure was little more than "lip service." "If you look at what the administration has actually been doing over the last two years, they have been adding more red tape, rolling back previous streamlining reforms, and creating roadblocks to moving forward with desperately needed transportation and energy infrastructure projects," the legislative leaders said in a joint statement.

TIPRO members may review the full permitting action plan released by the White House here: https://bit.ly/3PsM5R0.

McDonald Observatory opens new “Preserving Dark Skies” exhibit sponsored by Apache

The University of Texas at Austin’s McDonald Observatory last month debuted a new “Preserving Dark Skies” exhibit in its Frank N. Bash Visitors Center, which will help to promote dark skies preservation in West Texas. The special exhibit, funded by an oil and gas exploration and production company and TIPRO member Apache Corporation, features a multimedia wall and interactive components that serve to educate observatory visitors on the importance of keeping skies dark for sky-watching and conserving wildlife habitats without compromising light sources also needed on the ground for safety and operations.

Photo courtesy of McDonald Observatory

“We are excited to partner with the McDonald Observatory to help bring the farthest points of the night sky into focus for visitors and researchers,” said Clay Bretches, executive vice president of operations at Apache Corporation. “Our partnership with the observatory is built on mutual respect for our distinct scientific disciplines and the belief that working together will continue to yield better outcomes for both organizations. Our win-win partnership has led to increased education on dark skies friendly lighting practices resulting in increased energy efficiency, safer operations, and reduced light pollution.”

As part of its partnership with the McDonald Observatory, in 2019, Apache pledged a $257,000 gift to back ongoing efforts to preserve the dark West Texas skies that make research possible and provide unsurpassed views of the universe to visitors. The donation from Apache has been used to build the observatory’s new permanent exhibit, as well as hire additional staff at the observatory and create resources for the observatory’s Dark Skies Program, which works with city councils, county governments, and businesses to promote good lighting solutions.

Representatives of the observatory estimate that over a projected 10-year span, the new exhibit will be viewed by one million visitors to McDonald Observatory, significantly helping spread awareness on the importance of keeping the night sky dark.

Marathon Oil Corporation supports innovative teachers through grant program

Marathon Oil Corporation, a member of the Texas Independent Producers & Royalty Owners Association (TIPRO), is currently accepting applications for the company’s ‘Unconventional Thinking’ grant program, which recognizes outstanding teachers who promote innovative and unconventional thinking in their classrooms. Through June 15, teachers may apply or be nominated by members of their community to receive a grant from Marathon Oil to support the purchase of classroom resources, such as books, activity/lab materials and technology, or personal professional development.

Marathon Oil
Unconventional Thinking
In Teaching

“Our hope is that, through this program, we’ll increase teacher retention by demonstrating support for the people who are responsible for developing our next generation of leaders, or unconventional thinkers,” said the company.

According to Marathon Oil, applications received for the grant program will specifically be judged based on the following criteria:

- Demonstration of “Unconventional Thinking”
- Alignment with Marathon Oil’s values to:
    - Collaborate
    - Take Ownership
    - Be Bold
    - Deliver Results
- Commitment to ensuring inclusive and equitable education for all students

This grant program is open and available to teachers in the counties where Marathon Oil operates in Texas, New Mexico, Oklahoma and North Dakota. Grants will be made payable to the winner’s school or school district, but will be designated for use by the winner and must adhere to any applicable school or district budget guidelines.

To learn more, or to submit an application for a deserving teacher, please visit https://www.marathonoil.com/about/teachers/.

Oil and gas companies back wildlife habitat restoration projects in Pecos Watershed

The Pecos Watershed Conservation Initiative (PWCI) in May announced nine grants totaling $1.5 million have been awarded to help restore and sustain healthy wildlife habitat and address key conservation opportunities in the Pecos Watershed and adjacent areas located in Texas and New Mexico. The PWCI, first established in 2017 through the National Fish and Wildlife Foundation (NFWF), is an innovative public-private partnership supported by oil and gas companies and TIPRO members that include Apache Corporation, Chevron, ConocoPhillips, Occidental and XTO Energy, an ExxonMobil subsidiary, in addition to Shell USA, LLC, as well as federal agencies to support native species and natural landscape of the Trans-Pecos region, which comprises a large portion of the energy-rich Permian Basin. The program identifies strategic conservation opportunities and works to enhance and restore the natural resources and wildlife habitat in the region.

In a joint statement, the six supporting corporate members said: “Over the past five years, we’ve seen the capacity and ingenuity of the PWCI’s grantees grow and contribute significantly to conservation efforts in the region. From developing native seed banks to maintaining freshwater flows for endangered species, these grantees are at the forefront of applying advanced conservation techniques to benefit fish and wildlife. We have no doubt that the projects announced will support vital ecosystems and benefit local communities in the Permian Basin.”

Since its inception, the PWCI has invested a total of $8 million into 43 projects, which have helped strengthen the health of existing habitats along the Pecos River and its tributaries and also improved the conditions of area grasslands to support wildlife and achieve conservation goals.

Chevron becomes partner of Gulf Coast carbon sequestration project

Chevron will partner with Talos Energy and carbon capture and storage developer Carbonvert on a new first-of-its-kind Gulf Coast carbon sequestration project, the company announced earlier this month. In May the three companies signed a memorandum of understanding ("MOU") for an expanded joint venture to develop the Bayou Bend capture and sequestration (CCS) offshore carbon hub that will be located in state waters offshore Beaumont and Port Arthur, Texas. The site encompasses over 40,000 gross acres and, based on Talos and Carbonvert's preliminary estimates, could potentially sequester 225 to 275 million metric tons of carbon dioxide (CO2) from industrial sources in the area. According to the companies, the Bayou Bend CCS lease is the first and only offshore lease in the U.S. dedicated to CO2 sequestration.

"Since our establishment of Chevron New Energies, we have been consistent in our communication that partnership will be required to grow successful lower carbon businesses. This venture is an example of the potential that partnering can have in moving large-scale lower carbon projects forward," described Chris Powers, vice president of Carbon Capture, Utilization, and Storage (CCUS) for Chevron New Energies, the company division that will engage on the Bayou Bend CCS hub. "Talos and Carbonvert have worked to rapidly advance this project, and as a priority project for Chevron in a key industrial area, we are excited to contribute our experience and capability to develop the leading offshore carbon sequestration hub for the region."

Under terms of the MOU, Talos and Carbonvert will "contribute the Bayou Bend CCS lease to an expanded joint venture including Chevron in exchange for consideration of cash at closing and capital cost carry through project's final investment decision." Upon closing of the joint venture, Chevron will hold a 50 percent stake in the venture and Talos and Carbonvert will each have 25 percent equity interest, with Talos remaining the operator.

"We believe the addition of Chevron greatly enhances the execution of this hub-scale project and we hope this sends a clear signal to industrial partners in the Beaumont and Port Arthur region that we are focused on making Bayou Bend the premier CCS project in southeast Texas," Timothy Duncan, president and CEO of Talos, said.

"Frac fleet shortage slows U.S. shale growth"

Article courtesy of Argus Media

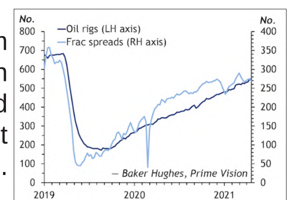
Shortfalls in hydraulic fracturing capacity, needed to bring new wells on stream, will hamper efforts to raise U.S. shale oil output this year.

Rising costs, supply chain bottlenecks and a lack of investor capital are impeding a faster recovery in U.S. tight oil production despite very high oil prices and government pleas for firms to boost supply. "I understand the desire to find a quick fix for the recent spike in gasoline prices," Pioneer Natural Resources chief executive Scott Sheffield told the House of Representatives Energy and Commerce Committee on April 6. "But neither Pioneer nor any other U.S. producer can increase production overnight by turning on a tap."

"The process of planning, permitting, drilling and safely completing new wells, with the associated construction of facilities and connection to third-party infrastructure, takes 18-24 months for our company," Sheffield says. "It used to take less time in the past — in some instances, only 6-12 months — but this timing is especially negatively impacted today, in the midst of increasing cost inflation, the loss of thousands of experienced oil field workers over the past several years, the decommissioning of rigs and frac fleets when oil prices were low in 2020 and significant shortages across our supply chain."

Frac fleets — or spreads — are becoming a major bottleneck that is limiting production growth this year. "Halliburton's hydraulic fracturing fleet remains sold out and the overall market appears all but sold out for the second half of this year," Halliburton chief executive Jeff Miller says. "In prior cycles, fleets were relatively the same. Today, all equipment is not created equal. Significant operational, environmental and pricing differences exist."

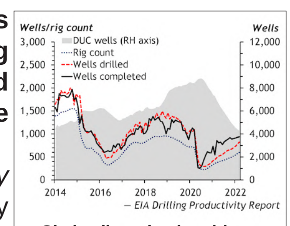
About 270 frac spreads are deployed in the shale sector, industry monitor Primary Vision says, down from 290 in late February (see graph). But there is little extra capacity to draw on. Nearly 360 spreads were active in early 2020 but the oil service industry has since consolidated, cutting capacity. "Two years of supply attrition and cannibalisation, plus limitations from labour shortages and a secular shift toward next-generation frac fleet technologies, have led to tightening in the frac space," Liberty Oilfield Services chief executive Chris Wright says.



Oil rigs and frac spreads

No country for old stuff

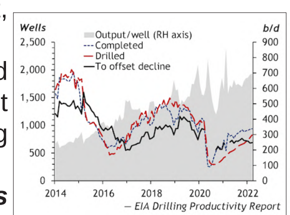
The pace of well completions has slowed this year as drilling has picked up (see graph). Firms drew down their backlog of drilled-but-uncompleted (DUC) wells in 2021 to recover sunk drilling costs and bring new supply online more cheaply. Completions ran ahead of drilling as a result, boosting demand for frac spreads relative to oil rigs. But most suitable DUC wells are now online, and firms need to drill more new wells to offset legacy declines and increase output. Firms completed 45 percent more wells than they drilled in 2021, but this ratio dropped to 19 percent in the first quarter of this year.



Shale oil production drivers

Oil output from new wells in the seven shale formations covered by the EIA's *Drilling Productivity Report (DPR)* continues to exceed legacy declines by a large margin (see graph). Oil production will rise by 133,000 b/d, or 2 percent, in the DPR-7 regions in May, the EIA projects. Legacy declines from existing wells were 475,000 b/d in March, meaning the sector needs to complete 687 new wells to keep output constant, compared with 937 actual completions.

But keeping up momentum will become harder as legacy declines rise. More new wells must be completed each month to stand still, boosting demand for frac fleets that the industry will struggle to supply. "There is just not that much spare capacity left," Wright says. "Not everyone who wants an extra fleet today, frankly, is going to get one." What is sitting around is "very old stuff", he says.



DPR-7 well completions

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