



# THE TIPRO TARGET



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## **New Texans For Natural Gas report shows significant declines in Permian Basin's methane emissions intensity**

Texans for Natural Gas (TNG), a project of the Texas Independent Producers and Royalty Owners Association (TIPRO), recently released its annual methane emissions intensity analysis, finding the Permian Basin's rate fell by more than 76 percent from 2011 to 2021, even as oil and gas production in the region increased by over 345 percent in the same time period. Year over year, from 2020 to 2021, methane intensity in the Permian fell by 20 percent – a significant reduction over the course of just one year, according to the new TNG assessment.

The analysis, *Permian Basin Producers: Charting A Cleaner Energy Future*, is TNG's fourth report on methane and flaring intensity in the Permian Basin. The report utilizes data from the World Bank, U.S. Energy Information Administration (EIA), Environmental Protection Agency (EPA) and Rystad Energy to show how Permian producers are leading the world when it comes to responsibly meeting the world's growing energy demand.

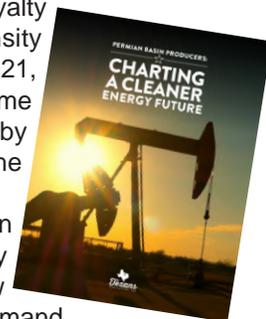
Other report highlights include:

- **METHANE INTENSITY CONTINUES DOWNWARD TREND:** Between 2011 and 2021, methane emissions intensity fell by more than 76 percent in the Permian Basin. Since 2011, total oil and gas production in the Permian has increased by over 345 percent.
- **FLARING INTENSITY DECLINED:** Flaring intensity in the Permian Basin decreased by over 34 percent from 2020 to 2021. Texas as a whole has also dramatically reduced its flaring intensity. Between 2020 to 2021, the state reduced its flaring intensity by 60 percent.
- **PERMIAN CLEANER THAN GLOBAL COMPETITORS:** The Permian Basin stands apart from other global producers not only because of its prolific production, but by remaining well below the flaring intensity of other global producers. In 2021, when compared to the Permian, flaring intensity was 2,621 percent higher in Venezuela and 339 percent higher in Russia.
- **PERMIAN MAKING MORE FLARING PROGRESS THAN GLOBAL COMPETITORS:** Not only is the Permian a leader in low flaring intensity, but it is also helping the U.S. make more progress than any other country in the world. Of the top 10 countries by flared volumes, the United States has made the most progress in reducing its emissions. From 2019 to 2021, the United States has cut flared volumes almost in half – a 49.3 percent decrease.

"Texas' role as a global energy leader extends well beyond just volumes," said Ed Longanecker, TIPRO president and TNG spokesperson. "Our state, and the Permian specifically, produces some of the world's cleanest natural gas. That matters more than ever today, as global unrest is creating energy challenges everywhere. We have what it takes to power the homes, businesses and industries of Americans and our allies. Leaders at home and abroad should take note of the progress Texas producers have made in methane and flaring intensity as they develop policies impacting our industry."

Intensity – or the amount of methane emitted or flared per barrel of oil equivalent produced – is used as a reliable metric by many organizations across the globe, including the World Bank, the International Energy Agency (IEA) and ONE Future.

TIPRO members can view the full TNG report [here](#).



## **Reminder: EPA hosting public hearing in mid-January on proposed oil & gas methane rulemaking**

In mid-January, the U.S. Environmental Protection Agency (EPA) will hold several hearings to provide the public with an opportunity to present comments and information regarding the Biden Administration's proposed supplemental rule seeking to expand reductions of methane and other pollutants from oil and natural gas operations. The public hearings will take place January 10-12, 2023, from 9 a.m. to 7 p.m. Central Standard Time (all days).

All speaking slots have been filled but stakeholders will be able to watch the hearings online through a livestream for those who would like to view the public meetings. The EPA says it will post links on its website before the hearings start for those who want to watch.

In addition to the January public hearings, written comments on the supplemental rule proposal are also being accepted at this time by the EPA through February 13, 2023. For detailed instructions on how to submit written comments concerning this EPA regulation, please go to <https://bit.ly/3WML9tr>. Please remember to label all comments with the docket number associated with these proposed regulations for the oil and natural gas industry, which is Docket ID No. EPA-HQ-OAR-2021-0317.

To review other information on the EPA's supplemental rule proposal that would enforce more comprehensive emissions reduction requirements on oil and natural gas facilities, TIPRO members may visit <https://bit.ly/3llo11b>.

## President's message

TIPRO members,

With the calendar now turned to 2023, TIPRO is gearing up for the state's approaching legislative session, which is set to begin next week on Tuesday, January 10. The opening day of the 88<sup>th</sup> Texas Legislature marks the start of the 140 days in which legislators and statewide leaders can work together to pass new laws governing the Lone Star State and address priorities that matter most to Texas.

As of Wednesday, January 4, more than 1,142 House bills, 10 House Concurrent Resolutions (HCR) and 67 House Joint Resolutions (HJR) have already been filed for consideration this coming session, in addition to 319 Senate bills, three Senate Concurrent Resolutions (SCR) and 20 Senate Joint Resolutions (SJR) that have also been filed in the legislature. Please remember lower bill numbers have been held for priority legislation from the speaker of the Texas House and the lieutenant governor – so, House Bills 1-20 and Senate Bills 1-30 have been skipped for the time-being, as well as low numbers for HCR/HJR/SCR/SJR.

On behalf of our members, TIPRO has been diligently monitoring legislative proposals as they are filed which could impact the oil and natural gas industry as well as mineral owners in Texas. As already reported on last month by TIPRO, legislation like House Bill 33 (nicknamed the "Texas Energy Independence Act") and HJR 27 (the "Generate Reoccurring Oil Wealth" or "GROW" bill) are some of the policy initiatives we plan to support and hope will be passed by lawmakers in the upcoming legislative session.

Our team is also keeping a close watch on bills which are expected to be filed this session addressing other important industry issues. This session, legislation will be filed to update the Texas Mineral Interest Pooling Act (MIPA). MIPA allows the Railroad Commission of Texas to pool separate tracts into a unit under certain circumstances. MIPA was enacted in 1965 before modern horizontal drilling and hydraulic fracturing techniques unlocked the potential of unconventional oil fields. Updated legislation would enable a wider array of modern horizontal development strategies in unconventional fields under MIPA by making meaningful changes to current policy language.

In addition, lawmakers also in the 2023 session will push for legislative action that seeks to reduce the total number of orphan wells in the state of Texas. The "Orphan Well Reduction" bill will be the next step in the overall effort to reduce not only inactive wells in Texas, but also lower the number of orphan oil and gas wells, which directly impacts Railroad Commission resources. Just two sessions ago, the commission received an extra ~\$38 million dollars dedicated exclusively to plugging orphan wells. More recently, Texas was awarded \$25 million in initial grant funding by the U.S. Department of Interior to be used to plug abandoned oil and gas wells in the Lone Star State. This forthcoming bill proposal will seek to maximize those dollars and help reduce the orphan well inventory for less, allowing the Railroad Commission to focus time and money in other needed areas within the regulatory agency.

This legislation and additional priorities for members during the 88<sup>th</sup> Legislative Session will be reviewed in greater detail during TIPRO's next State Issues Committee meeting, scheduled for Monday, January 16<sup>th</sup> at 2:00 p.m. Members are welcome to attend in-person or via conference call – for more details on how to participate in the committee meeting, please email TIPRO's Government Affairs Director Ryan Paylor at [rpaylor@tipro.org](mailto:rpaylor@tipro.org). In addition to our upcoming State Issues Committee meeting, in the coming weeks, TIPRO also will begin to meet with legislative offices to discuss our policy agenda.

TIPRO also is looking forward to hosting a legislative reception in Austin later this month in honor of new and returning elected officials. TIPRO's reception is planned for Wednesday, January 25<sup>th</sup> from 5:00 p.m. – 7:00 p.m. at Peche in downtown Austin. To RSVP for this function, please email [rpaylor@tipro.org](mailto:rpaylor@tipro.org) at your earliest convenience. Already a number of legislators have confirmed their attendance, and we hope you also will be able to join us for this legislative event.

Regards,

Ed Longanecker



**Ed Longanecker**

## Reserve your seat for the first 'Leaders in Industry' luncheon of the new year!

Don't forget to register for the next "Leaders in Industry" luncheon with the Texas Independent Producers & Royalty Owners Association (TIPRO), Independent Petroleum Association of America (IPAA) and Houston Producers Forum (HPF). The luncheon, taking place on Tuesday, January 17<sup>th</sup> at the Petroleum Club in Houston, will feature remarks from Randy Newcomer, Jr., president and CEO of Riverbend Energy Group.

Newcomer has led Riverbend since the company's inception in 2003. Previously, Newcomer served as vice president of EnCap Investments L.P. (from 1997 to 2003), where he evaluated a multitude of financings involving mezzanine debt and equity investments. Newcomer began his career in 1989 at Amoco Production Company, serving in diverse production and reservoir engineering, business development, and acquisition and divestment roles (all associated with activities in the Permian Basin). Energy companies that Newcomer has served and/or serves on the Board of Directors include Riverbend, Ovation Energy, Chalker Energy II & III, Navidad Resources and Parsley Energy. Furthermore, he has been involved with the Board of Directors of the Houston Producers Forum and the advisory boards of Yellowstone Academy and Stoney Creek Ranch.

To sign up for the January 'Leaders in Industry' luncheon, please visit: <http://bit.ly/3U21Mj3>.

## TIPRO CALENDAR OF EVENTS

<p><b>JANUARY 17, 2023</b> HOUSTON — TIPRO/IPAA/HPF "Leaders in Industry" Luncheon. For information, email <a href="mailto:info@houstonproducersforum.org">info@houstonproducersforum.org</a>.</p>	<p><b>JANUARY 25, 2023</b> AUSTIN — TIPRO Legislative Reception. For information, email <a href="mailto:info@tipro.org">info@tipro.org</a>.</p>	<p><b>FEBRUARY 1-3, 2023</b> HOUSTON — 30<sup>th</sup> Anniversary NAPE Summit. For information, email <a href="mailto:info@napeexpo.org">info@napeexpo.org</a>.</p>
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## Texas Railroad Commission looks back at 2022 regulatory achievements and rulemakings



Before the start of the new year, state regulators with the Railroad Commission of Texas released the agency's annual 'Year in Review' publication, reflecting on new regulatory duties that were assigned during the last year to the state office and improved oversight of the oil and gas industry, pipeline safety, critical gas infrastructure and other energy sectors in 2022. From winning multiple awards to modernizing online databases and implementing new rules for critical natural gas facilities and infrastructure, 2022 was a busy and productive year at the commission, reported the regulatory agency.

Last year, the Railroad Commission took important action to further bolster weatherization measures for the state's energy systems and ensure the flow of natural gas during future weather emergencies. As part of such efforts, in August, Railroad commissioners adopted the state's first weatherization rule for natural gas facilities to protect gas flow to power generators and ensure Texans have electricity during weather events. The Railroad Commission's *Weather Emergency Preparedness Standards* rule (Statewide Rule 3.66) implemented provisions of Senate Bill 3, which was passed by the Texas Legislature and signed by Governor Greg Abbott in 2021 following Winter Storm Uri. The rule applied new requirements to critical gas facilities on the state's Electricity Supply Chain Map to weatherize, based on facility-specific factors, to ensure sustained operation during a weather emergency; correct known issues that caused weather-related forced stoppages occurred before December 1, 2022; and contact the commission if they sustain a weather-related forced stoppage during a weather emergency. Additionally, the commission began to require natural gas suppliers to submit forms identifying and designating facilities as critical, which supported the development of the state's Electricity Supply Chain Map, also worked on during 2022 by the Railroad Commission and other state agencies to assist with disaster and emergency planning and response. The commission also in 2022 issued a new curtailment rule that prioritizes gas supplies and transportation during weather events affecting the Lone Star State.

Meanwhile, during 2022, the Railroad Commission stepped up its response to seismic events occurring in the state, implementing a first of its kind operator-led response plan that addresses injection-induced seismicity to help keep residents and the environment safe. The comprehensive plan from the commission provides variable reductions in disposal volumes of produced water across disposal wells in defined regions. Through the plan, the commission also is able to gain additional information with the expansion of seismic monitoring stations in the area, which will provide better data on the precise location and depth of earthquakes when they occur. Before the end of 2022, regulators at the Railroad Commission made further adjustments to some of its seismicity reduction response plans following earthquakes that were reported in West Texas in November and December.

The Railroad Commission last year also yet again exceeded key performance goals set by the Texas Legislature to protect public safety and the environment, while also facilitating growth of oil and gas resources. Legislative measures where the agency outperformed include plugging of orphaned wells with the use of state-managed funds (target of 1,000 compared with 1,068 achieved); number of oil and gas well and facility inspections performed (target of 345,000 compared with 359,278 achieved); number of drilling permit applications processed (target of 12,300 compared with 13,551 achieved); and more. "Railroad Commission staff's strong performance helped keep Texans' safe, while at the same time ensuring the vital oil and gas industry continued to support national and international energy demand and boosted the Texas economy," said Wei Wang, the commission's executive director. "We continue to leverage cutting-edge technology such as artificial intelligence and drones to improve efficiency for staff and operators, and we will use our experience to extend our success through the next year," he added.

This past August, the commission also was able to host its first in-person regulatory conference in two years, which had been on hiatus due to the coronavirus pandemic that forced the event to take place virtually. The Railroad Commission's 2022 conference, held August 8-9 at the AT&T Conference Center in Austin, provided training and regulatory information to more than 680 attendees.

Also of note, the agency over the last year continued to modernize its computing systems to improve regulatory functions and processes and introduced other new online databases.

TIPRO members may review the commission's '2022 Year in Review' and read about other agency highlights from the past year by clicking on the following link: <https://bit.ly/3GCoGdu>.

## Railroad Commission adopts new Irrevocable Letter of Credit and Performance Bond

The Railroad Commission of Texas has issued a notice to oil and gas and pipeline operators to inform stakeholders that the agency is adopting new versions of the Irrevocable Letter of Credit (Form P-5LC) and Performance Bond (Form P-5PB), related to the execution and filing of financial security by energy companies under the jurisdiction of the agency. According to the commission, revisions to Form P-5LC removed references to terms/items no longer in use by the commission, updated the estimated plugging costs and corrected the final time of day that the drafts may be presented at the bank (from 2 p.m. to 5 p.m.). The commission also has consolidated the Forms P-5PB(1) and P-5PB(2) into the new Form P-5PB to eliminate the redundancy of information requested on the former forms.

All historic forms are required to be replaced for all operators with renewal dates of March 2023 and forward. The new versions of the forms are available in fillable PDF format on the commission's website at <https://www.rrc.texas.gov/oil-and-gas/oil-and-gas-forms/>.

## Railroad Commission launches interactive map of orphan wells being plugged with federal funding

The first week of January, the Railroad Commission made available an interactive map showing orphan wells being plugged in Texas with the use of federal funding. According to the commission, the new data visualization application allows users to choose what they see on the map, including which county to view, the fiscal year (only 2023 so far) and whether the wells have been plugged or have had a work order issued to be plugged. The Railroad Commission indicates it has already plugged 128 orphaned wells with federal dollars provided from the federal *Infrastructure Investment and Jobs Act* and plans to plug about 800 abandoned wells by the end of the fiscal year. TIPRO members may view the new well plugging map at: <https://bit.ly/3jMaXYK>.

## After another seismic event near Midland in December, state regulators expand response efforts

On Friday, December 16, a 5.4 magnitude earthquake was recorded approximately 12 miles north of Midland in Martin County, Texas. In response to the seismic event, the Railroad Commission of Texas said it had activated personnel and dispatched inspectors to examine disposal activity at injection well sites near the location of the earthquake. Agency personnel also closely monitored seismic data following the seismic event from the United States Geological Survey (USGS), the TexNET Seismic Monitoring Program and private operator monitoring stations.

The latest seismic quake took place within the Gardendale Seismic Response Area (SRA). Following the occurrence, the commission has said that it would enlarge the region's SRA to include a radial area of approximately nine kilometers (100 square miles) around the current reported location of this earthquake. As a result, 17 saltwater disposal well permits (16 shallow and one deep) have been added to the SRA district. The commission requested that operators of shallow saltwater disposal ("SWD") wells that are currently not in use to not begin or return those wells to injection and for active SWD wells not to exceed 10,000 barrels per day. There are three deep disposal wells within nine kilometers of the 5.4 magnitude earthquake which have been shut-in and are no longer injecting.

Commission staff posted the following files to revise the Gardendale SRA boundary and wells:

- [Map of the Gardendale SRA](#)
- [List of the SWD wells within the Gardendale SRA](#)
- [Shapefile of the Gardendale SRA](#)

Previously, in December 2021, the Railroad Commission ordered the indefinite suspension of all produced water disposal in deep injection wells in the SRA. The agency said that staff will review permit requirements for other injection wells in the area as it prepares for a response to reduce the frequency and intensity of earthquakes.

Recently, the Railroad Commission also ordered new measures be taken by disposal well operators in a nearby region, the Northern-Culberson Reeves SRA, to reduce seismicity more quickly. In early December, following a 5.4 magnitude earthquake that happened on November 16<sup>th</sup> about 35 miles northwest of the town of Pecos, the commission decided to expand the Northern-Culberson Reeves SRA from 2,366 to 2,601 square miles to include more disposal wells. Agency leaders also amended the response plan to further reduce injection volumes. Operators have committed to meeting the original deep disposal volume target of 298,000 barrels per day three months early and meeting a new target of 162,000 barrels per day by June 30, 2023. This represented a 68 percent drop in disposal volume compared to January 2022 before the SRA plan went into effect.

"Texas continues to lead the country in a collaborative manner with key stakeholders, including academia, the energy sector, Texas legislature and Railroad Commission to provide more reliable data and resources to mitigate and minimize risk from seismic events," said Ed Longanecker, president of TIPRO. "Our organization and members support continued collaboration, funding, research and analysis pertaining to earthquake mitigation and will remain highly engaged in these discussions moving forward."

## Biden Administration now taking comments on proposed rule limiting flaring in U.S. oil & gas fields

Members of the public have until the end of January to submit comments to the U.S. Department of Interior's Bureau of Land Management (BLM) on the agency's new proposed regulations that seek to limit flaring, venting and leaks during oil and gas production activities on federal and Indian leases. The BLM's rulemaking, announced at the end of November by federal regulators, follows the administration's agenda to tackle methane emissions and address climate change.

In addition to requiring producers to utilize technology upgrades that would reduce losses of natural gas during oil and gas drilling operations, the rulemaking also would require operators to maintain a Leak Detection and Repair (LDAR) program for their operations on federal and Indian leases and also place time and volume limits on royalty-free flaring. Importantly, this includes a monthly volume limit on royalty-free flaring due to pipeline capacity constraints.

Government analysis shows the costs to industry from the proposed rule could be around \$122 million per year.

Comments on this proposed rule may be submitted to the BLM on or before January 30, 2023. To submit comments electronically, TIPRO members should visit [www.regulations.gov](http://www.regulations.gov) and search for Docket "RIN 1004-AE79."

## EPA, U.S. Department of the Army finalize updated 'WOTUS' definition

Before the start of the new year, the U.S. Environmental Protection Agency (EPA) and U.S. Department of Army issued a final rulemaking that defines the government's jurisdiction of "waters of the United States" (WOTUS) under the *Clean Water Act* and restores earlier water protections that were in place prior to 2015. In 2021, the two agencies announced their intent to revise the WOTUS definition, and later published a rule proposal in the Federal Register that re-establishes the federal government's pre-2015 definition of WOTUS. Leaders say the updated WOTUS definition will implement a more stable, certain and stronger interpretation of "waters of the United States," particularly given court decisions and other legal challenges to the definition of WOTUS in more recent years.

"When Congress passed the Clean Water Act 50 years ago, it recognized that protecting our waters is essential to ensuring healthy communities and a thriving economy," said EPA Administrator Michael Regan. "Following extensive stakeholder engagement, and building on what we've learned from previous rules, EPA is working to deliver a durable definition of WOTUS that safeguards our nation's waters, strengthens economic opportunity, and protects people's health while providing greater certainty for farmers, ranchers and landowners."

"The rule's clear and supportable definition of waters of the United States will allow for more efficient and effective implementation and provide the clarity long desired by farmers, industry, environmental organizations and other stakeholders," added Assistant Secretary of the Army for Civil Works Michael Connor.

TIPRO members may review more information about the updated definition of WOTUS, including a pre-publication version of the Federal Register notice and fact sheets, on the EPA's website, accessible at <https://www.epa.gov/wotus>.

## Oil and gas executives express concerns about rising costs, ongoing supply-chain bottlenecks

Energy executives remain concerned about increasing operating costs, according to the Federal Reserve Bank of Dallas. In a new survey released recently by the Dallas Fed, oil and gas leaders reported higher costs at the end of the year for an eighth consecutive quarter, and also noted longer waiting times to receive materials and equipment needed for drilling projects in oil and gas fields.

The Dallas Fed collected data for its quarterly energy survey on December 7–15, 2022, with 152 energy firms responding from the Federal Reserve's Eleventh District, which includes the Permian Basin and the Haynesville Shale region. Of the survey participants, 97 were exploration and production firms and 55 were oilfield services firms.

On average, oil and gas executives said from the survey they expected a West Texas Intermediate (WTI) oil price of \$84 per barrel and Henry Hub natural gas price of \$5.64 per million British thermal units (MMBtu) by year-end 2023.

Many firms in the survey also indicated that their company's capital spending was likely to rise in 2023 compared with 2022. Thirty-nine percent of executives said they expect capital spending to increase slightly this year, while an additional 25 percent anticipate a significant increase to spending in the forthcoming year, according to survey collections. Twenty-two percent expect spending in 2023 to remain close to 2022 levels, while only 14 percent said they anticipated reductions in spending in 2023.

When asked about the "biggest drag on crude oil and natural gas production growth" from their respective companies, 32 percent of executives at exploration and production firms selected "cost inflation and/or supply-chain bottlenecks." A total of 27 percent chose "maturing asset base" and 16 percent indicated "availability of capital."

Oil and gas leaders also in the Dallas Fed survey pointed to continuing struggles with hiring and retaining workers, as labor challenges keep impacting the energy industry. "The labor market continues to be incredibly tight in the Permian Basin," one respondent was quoted as saying in the survey. "Our company is relying more heavily on rotational employees to service equipment. Permian Basin infrastructure seems to be at max capacity."

## Texas' proved reserves of crude oil and natural gas increased in 2021, shows new federal data

The amount of proved reserves of crude oil, lease condensate and natural gas in the state of Texas went up during 2021, according to new data released by the U.S. Energy Information Administration (EIA). Proved reserves are operator estimates of the volumes of oil and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Estimates of proved reserves are heavily influenced by prices.

Texas, where more proved reserves of crude oil and lease condensate are located than any other state, saw the largest net increase in proved reserves in 2021, reported EIA experts at the end of December. "In 2021, Texas' annual crude oil and lease condensate proved reserves increased by 12 percent (1.9 billion barrels) from 16.7 billion barrels to 18.6 billion barrels," said the EIA in its assessment. "New Mexico saw the second-largest net increase of proved reserves of crude oil and lease condensate (39 percent, 1.4 billion barrels), and Alaska the third-largest (31 percent, 0.7 billion barrels)," added EIA analysts.

The state of Texas also showed the second-largest increase of natural gas proved reserves in 2021 (30 percent, 34 trillion cubic feet), the EIA noted. Alaska had the biggest increase in proved reserves of natural gas in 2021 (173 percent, 63.3 trillion cubic feet), which almost tripled the state total compared with 2020, the EIA said. New Mexico followed Texas with the third-largest increase of natural gas proved reserves in 2021 (38 percent, 10 trillion cubic feet).

Altogether, in 2021, proved reserves of natural gas set a new record in the United States, and proved reserves of crude oil and lease condensate also grew significantly, but not quite to pre-pandemic levels. The EIA estimates that between 2020 and 2021, natural gas reserves in the United States rose by 32 percent to top 625 trillion cubic feet. Oil reserves meanwhile increased 15 percent, or 5.3 billion barrels, from 2020 proved reserves to hit 41.2 billion barrels.

TIPRO members can learn more about the nation's proved oil and natural gas reserves from the EIA [here](#).

## President Biden names Willie Phillips acting chairman of FERC

Federal Energy Regulatory Commissioner (FERC) Willie Phillips will take over as acting head of the commission, the White House announced in early January. Phillips, who joined FERC at the end of 2021, will lead FERC as acting chairman after previous FERC Chairman Richard Glick's nomination to serve a second term at the commission was left unconfirmed by members of the U.S. Senate and his current term expired at the end of December. The Biden Administration is said to be considering a permanent chair in wake of Glick's departure from FERC. "It is an honor to be chosen by President Biden to lead FERC at such a pivotal moment," Acting Chairman Phillips said in a statement. "The work we do here at FERC is crucial to ensuring consumers have access to reliable, safe, secure and efficient energy services at reasonable cost."

## U.S. Energy Department announces plans to purchase three million barrels of oil for the SPR

Officials with the U.S. Energy Department in December announced a pilot program to buy an initial three million barrels of crude oil to start replenishing supplies that had withdrawn from the Strategic Petroleum Reserve (SPR) the past year. Late last month, the Biden Administration said the federal government would repurchase the oil at a lower price than the \$96 per barrel average price it was sold for, providing a good value to American taxpayers. Contracts will be awarded to successful offerors no later than Friday, January 13, 2023, and oil deliveries will be made in February 2023 to the Bill Hill SPR site in Beaumont, Texas, according to the Energy Department.

Over the last year, the Biden Administration has sold nearly 200 million barrels of oil from the SPR to address significant global supply disruptions and lower energy prices for Americans. The administration's strategies to tap the SPR has increasingly received scrutiny and criticism from members of Congress, who've warned reserve drawdowns at such a large scale have undermined the country's energy security and, by extension, its national security, leaving the nation more susceptible to true energy supply disruptions.

## Texans for Natural Gas explains what the EIA's *Short-Term Energy Outlook* means for Texas

The U.S. Energy Information Administration (EIA) recently released its *Short-Term Energy Outlook* [report](#). The analysis identifies trends such as rising natural gas production rates, increasing LNG exports, and high winter electricity prices.

The report also recognized that renewable resources will increase their share of power generation, making it clear that firm, reliable power from natural gas will be more necessary than ever to maintain reliability. In combination with these identified trends, the Russia-Ukraine war, and the economy bouncing back after the Covid-19 pandemic, the United States energy sector is in a serious state of flux.

So, what does all of this mean for Texas energy?

### U.S. natural gas exports will increase in 2023.

Unsurprisingly, some of the most notable trends identified in the report involved natural gas. According to the EIA, U.S. natural gas exports are expected to increase in 2023, stemming largely from the nation's further projected growth in LNG exports and demand from regions like Europe, which had previously relied on Russia for its energy.

In 2022, the U.S. natural gas trade sector experienced a variety of changes that influenced output both positively and negatively. This included factors such as facilities operating near maximum capacity and a fire at the Freeport LNG facility that reduced exports by [2.0 billion cubic feet of product per day](#) (Bcf/d). Overall, the EIA report forecasted a stronger upcoming year for the natural gas industry. According to the [Freeport facility](#), operations will kick back up in the second half of January 2023 and have an operating capacity comparable to former output levels by March. Additionally, to meet the high demand for natural gas in Europe and Asia, U.S. facilities will continue to operate near maximum capacity. Combine these factors, and the EIA expects U.S. LNG exports, most of which comes from Texas, to break new records by March 2023.

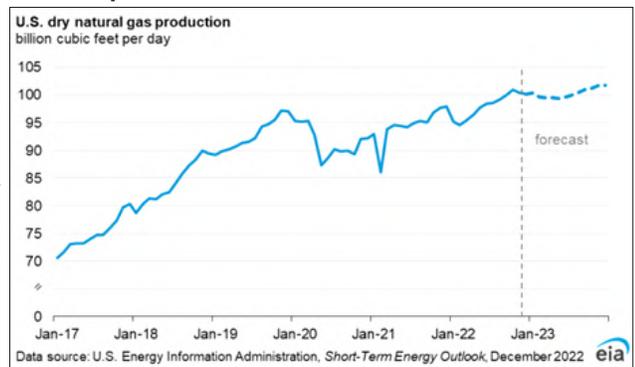
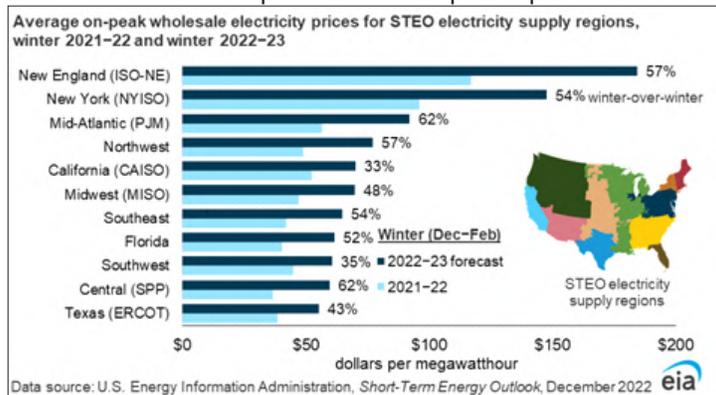
### U.S. natural gas production will continue to climb and is being driven by Permian production.

Increased natural gas production was also another important trend identified in the *Short-Term Energy Outlook* report. In sum, the EIA forecasted natural gas production in 2023 to grow approximately 2 percent more than in 2022, and in both cases about 10 percent more than pandemic levels. The major driver of natural gas production growth includes increased drilling activity in the Haynesville region, which covers East Texas and Louisiana, and the [Permian Basin region](#), which covers West Texas and [Southeast New Mexico](#).

Expansion projects to increase pipeline infrastructure also played a major role in increasing the U.S. production of natural gas. As such, it is important for lawmakers and regulators to support expanding the U.S. pipeline system to keep on track with progress. The EIA recognized this notion, stating, "The pace at which these projects are completed is a notable uncertainty in our forecast, and delays could result in lower production than we expect." Without adequate takeaway capacity, such as new pipelines, producers cannot safely increase production to meet rising demand.

### Energy prices in the winter are high – particularly in the Northeast - due to inadequate energy infrastructure.

The *Short-Term Energy Outlook* report recognized the rising costs of winter electricity prices, particularly in the New England and New York areas. "On-peak wholesale power prices will average more than \$200 per megawatt hour in January, up 35 percent from January 2022," according to the report. As a result, the regions on average upcoming surge in wholesale electricity prices will be significantly higher than the rest of the nation, particularly Texas, which is projected to have the least increase of any region.



High electricity prices are also tied to the need for pipeline infrastructure to ensure the United States can achieve its energy security goals. In the case of rising electricity prices in the Northeast and New England regions, lack of adequate natural gas delivery systems are leading to the adoption of more costly alternatives such as [imported LNG or fuel oil](#) to meet demand. In these scenarios, because of [fuel adjustment clauses](#), expensive costs are passed on to customers in the form of higher bills. To address this, the area needs to invest in pipeline infrastructure to increase access to cheaper fuels that minimize surges in costs.

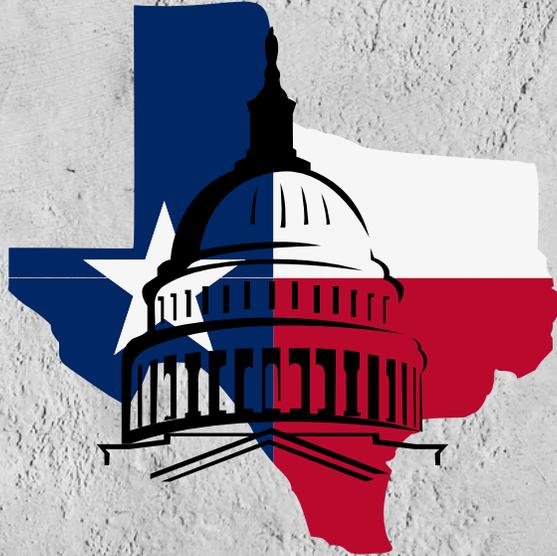
### Renewable energy is growing, but will need natural gas to provide reliable energy.

Renewable energy's increased role in the U.S. electric generation mix was also a noted trend in the EIA's *Short-Term Energy Outlook*. Specifically, the report projects that renewable power will increase its share of electric generation. Wind and solar power-derived electricity will increase from 14 percent in 2022 to 16 percent in 2023, while natural gas is estimated to drop from 39 percent to 37 percent. But because renewable power is intermittent, meaning those resources do not generate energy while the sun is not shining or the wind is not blowing, we must continue to expand investments in reliable resources like natural gas, which can produce energy as needed.

### Natural gas is underpinning America's energy future.

The EIA's *Short-Term Energy Outlook* identified many trends that it anticipates will emerge in the U.S. energy sector. A clear point indicated throughout the report is the vital role natural gas will continue to play in powering the nation. As a result, natural gas production and LNG exports will continue to increase to meet rising demand. Expanding the current pipeline infrastructure is key to ensuring the United States can efficiently provide needed resources. This reason alone is a major cause of the Northeast and New England regions' extreme wholesale electricity prices. Additional pipeline infrastructure will be needed in the United States to keep production rates rising and prices low.

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