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TIPRO

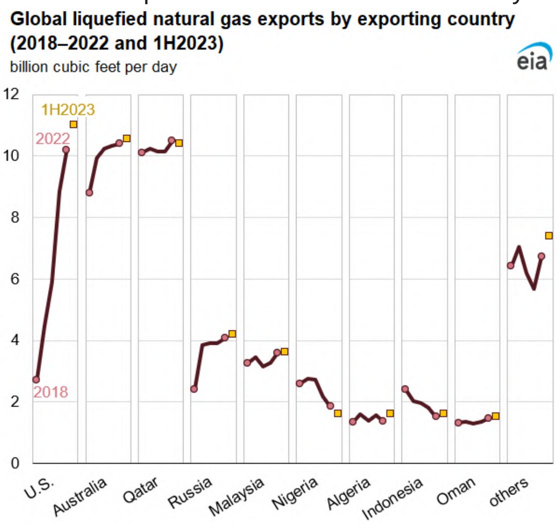
Texas Independent Producers and Royalty Owners Association

United States exported more LNG than any other country in the first six months of 2023

During the first half of this year, the United States exported more liquefied natural gas (LNG) than any other country, the U.S. Energy Information Administration (EIA) recently reported in a new analysis. New data shows that U.S. LNG exports averaged 11.6 billion cubic feet per day (Bcf/d) during the first six months of 2023, 4 percent (0.5 Bcf/d) higher than the first half of last year and 9.5 percent (1.0 Bcf/d) higher than the 2022 annual average. EIA experts credit Freeport LNG terminal's return to service this spring and continued growth in global LNG demand, particularly in Europe, for the higher volume of LNG exports from the United States this year.

So far in 2023, Europe has remained the leading destination of U.S. LNG exports, claiming 67 percent (7.7 Bcf/d) of total U.S. LNG shipments during the first half the year. U.S. LNG exports to Europe have increased by 14 percent (1 Bcf/d) compared with the 2022 annual average, said the EIA, as Europe makes up from lower pipeline imports of natural gas from Russia and tries to refill storage inventories. For the first time on record, Europe's LNG imports the first six months of this year exceeded imports by pipeline, noted the EIA, citing data from Refinitiv Eikon. Europe's LNG imports averaged 15.9 Bcf/d, 0.1 Bcf/d higher than imports by pipeline from all sources, including Norway, Russia, Algeria, Libya, and Azerbaijan, the EIA highlighted. Europe continues to work to expand its regasification capacity as new terminals have been placed in service in Finland, Germany, Italy and Spain, allowing those countries to import even more LNG. Five countries, including the Netherlands, the UK, France, Spain, and Germany, accounted for 77 percent (6.0 Bcf/d) of total U.S. LNG exports that have been sent to Europe this year.

The EIA forecasts U.S. LNG exports to average 12.0 Bcf/d in 2023 and top 13.3 Bcf/d in 2024, as two new LNG liquefaction projects are expected to come online—Golden Pass and Plaquemines. Limited growth in global LNG export capacity in the next two years may increase the need for destination-flexible LNG supplies, mainly from the United States, advised the EIA.



Data source: International Group of Liquefied Natural Gas Importers (2018–2021) and CEDIGAZ (2022–1H2023)
Note: Data are annual averages for 2018–2022 and six-month (Jan–Jun) average for 2023.

Texas commits to historic investment in state roads and transportation infrastructure

State officials in August signed off on a record $142 billion in total investment for Texas' transportation infrastructure over the next decade. The funding package includes $100 billion dedicated to the 2024 Unified Transportation Program (UTP), the state's 10-year roadway construction plan used to guide the development of transportation projects across the state. The 2024 UTP is $15 billion higher than the 2023 version of the plan. Additional funding of $42 billion has also been authorized by transportation leaders for routine maintenance contracts, right of way acquisition, engineering, and project development.

> ***"This historic investment in our transportation system is critically important to help meet the needs of our fast-growing state. Thanks to the leadership of Governor Abbott and our Texas Legislature, Texas continues to see growth in the transportation investments needed to support a world-class transportation system focused on safety and congestion relief."***
>
> ***Texas Transportation Commission Chairman J. Bruce Bugg, Jr.***

"Thanks to our booming economy, Texas has achieved a major milestone in our transportation infrastructure with this record $142 billion investment that will strengthen our roadways and build a next-generation transportation network," said Texas Governor Greg Abbott. "Through this record transportation investment project, the state of Texas will further improve roadway congestion and safety to meet the growing needs of Texans in our large metros, rural communities, and everywhere in between. This plan will not only connect Texans from every corner of our state, it will also bolster our economic growth and ensure Texans and businesses continue to thrive for generations to come."

Texas Department of Transportation (TxDOT) Executive Director Marc Williams said that TxDOT is already putting resources to work with a record number of projects aimed at improving safety and saving lives on state roadways.

As part of the updated state transportation plan, the Permian Basin will receive more money to expand major roadways, improve accessibility and keep roads safe. TxDOT's Odessa District, which oversees the construction and maintenance of Texas state highways throughout the Permian Basin, has been allocated $4.3 billion, an increase of nearly $1 billion in additional funding from last year's plan, that will be used to cover construction and maintenance of energy sector roads in the region.

TIPRO members can review more information on the UTP here.

Chairman's message

Jud Walker

TIPRO Members,

Following the hard work of state lawmakers this year at the capitol during the 88th Legislative Session, hundreds of new laws are set to take effect in Texas on September 1. Many of the policies that will become law pertain to the oil and natural gas industry and our dedicated staff at TIPRO worked fiercely to garner the necessary support during session to ensure their passage. This includes bills like House Bill 33, dubbed the "Texas Energy Independence Act," that was ceremonially signed into law by the governor at TIPRO's recent Summer Conference. After this legislation takes effect on Friday, Texas state agencies and officials will be prohibited from contracting with or providing assistance to any federal agency or official regarding the enforcement of a federal statute, order, rule or regulation regulating oil and gas operations if the regulation is not already existing law. We are already seeing this measure come into play, such as when Land Commissioner Dawn Buckingham filed comments in August opposing proposed federal changes to the Endangered Species Act (ESA) and cited House Bill 33. The commissioner affirmed, as a result of House Bill 33, the General Land Office will in no way assist in efforts by federal agencies to implement proposed regulations at the expense of vital Texas oil and gas resources, including proposed rule changes to the ESA that will have a negative economic impact on state land, mineral, oil and gas revenues.

The "Energy Choice Act" (Senate Bill 1017) will also go into effect on September 1. This bill, also signed by Governor Greg Abbott in front of TIPRO members at the association's summer meeting this year, prevents political subdivisions in Texas from adopting or enforcing any regulation that prohibits or restricts the use, sale, or lease of an engine based on its fuel source. As we've seen in cities elsewhere in the country, and even here closer to home in Dallas when the city council there was looking at phasing out the use of gas-powered tools, some municipalities have tried to block access to certain energy sources, like natural gas. State policymakers, however, are standing firm with policies like Senate Bill 1017 to ensure consumer energy choice remains the law of the land in Texas. TIPRO prioritized this legislation this session and made sure that lawmakers understood protecting energy choice is essential to ensuring that consumers and business owners have access to affordable, reliable energy.

Another bill that will become law September 1st includes a measure that reserves exclusive jurisdiction over regulation of greenhouse gas emissions to the state government, to the extent that state regulations are not preempted by federal law on the subject. Under Senate Bill 784, after September 1, municipalities and other political subdivisions will be prohibited from adopting or enforcing ordinances or other measures that directly regulate greenhouse gas emissions. This will provide greater regulatory certainty in Texas by making certain that greenhouse gas regulations are not piecemeal, political and varying from one part of the state to another. It will keep the oversight of greenhouse gases with the appropriate state regulatory body, the Texas Commission on Environmental Quality.

Further, a separate new law going into effect in September (House Bill 19) will allow our state to establish a new business court to hear business-to-business lawsuits involving a "qualified transaction" of at least $10 million. Texas has been lagging behind other states without having a court specializing in resolving complex business disputes. By establishing this kind of specialized business trial court, Texas will strengthen its reputation as the best state in which to do business.

Other new laws that become effective at the beginning of September address funding of water supply projects, permanent allocation of severance tax revenue to transportation, a production tax credit for vented or flared gas consumed onsite, vandalization or damage of critical infrastructure facilities and much more. To review more information on these policies, see *TIPRO's 2023 Legislative Report* here.

Regards,
Jud Walker

Register to hear from HESS Corporation president and COO at the next 'Leaders' luncheon

At the next monthly 'Leaders in Industry luncheon, happening Tuesday, September 19th at the Petroleum Club of Houston, HESS Corporation President and Chief Operating Officer Gregory Hill will present. Since 2009, Hill has worked for HESS, a leading shale oil and gas independent producer and one of the largest producers in the deepwater Gulf of Mexico. Prior to joining Hess in 2009, Hill spent 25 years at Shell in a variety of operations, engineering, technical and business leadership roles in Asia Pacific, Europe and the United States. This included serving as executive vice president – exploration and production of Singapore-based Shell Asia Pacific, vice president of production for Shell E&P Europe, and senior vice president of Aera Energy, a California-based joint venture affiliate of Shell and Mobil.

To reserve your seat for the upcoming 'Leaders' luncheon, hosted by TIPRO, IPAA and the Houston Producers Forum, please visit https://tinyurl.com/yrmyzhdw.

TIPRO CALENDAR OF EVENTS

SEPTEMBER 19, 2023	OCTOBER 17, 2023	NOVEMBER 28, 2023
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.

Texas energy regulators amend state rules for carbon dioxide injection and sequestration

At an open meeting of the Texas Railroad Commission on August 22, state regulators adopted amendments to various rules in 16 Texas Administrative Code Chapter 5, relating to carbon dioxide (CO2). The approved rule changes will ensure that the state's regulations are as stringent as the requirements of the U.S. Environmental Protection Agency (EPA) to support the Railroad Commission's application to the EPA for primary enforcement and permitting responsibility (primacy) of the federal Class VI Underground Injection Control (UIC) program regulating the geologic injection and sequestration of anthropogenic CO2 into deep rock formation.

Under the Safe Drinking Water Act (SDWA), the EPA may delegate its authority to implement and enforce the UIC program to states upon application. If the federal agency approves a state's application, the state then assumes primary enforcement authority over a class or classes of wells. Until a state receives primacy, the EPA directly administers the UIC program through its regional offices.

The state of Texas submitted its official application to the EPA for primacy of the UIC program and greater oversight over carbon storage wells and related infrastructure last December. In March, after reviewing the commission's application for completeness, the EPA provided comments and recommended rule improvements in a few areas. The regulatory amendments that have been approved in late August by Railroad commissioners are intended to respond to EPA's recommendations. The adopted rules will be published in the Friday, September 8th issue of the Texas Register and will become effective Monday, September 11. The PDF version of the adopted rules is also available on the Railroad Commission's website here.

With increasing interest and investment in Class VI geologic storage, the Texas Railroad Commission in the past couple of years has taken major steps toward taking over the ability to permit and monitor Class VI wells, which are used in the carbon capture and storage process. Given the variety of geologic settings in which storage is completed, the Railroad Commission is in the best position to evaluate conditions posed by a Class VI well, including well depth, geology and hydrogeology, according to commission staff. State-led enforcement for geologic sequestration of carbon dioxide would also better position Texas to attract more sequestration projects to the region, say supporters.

EPA Administrator Michael Regan has gone on record stating the Biden-Harris Administration is committed to supporting states' efforts to obtain Class VI primacy. The administrator sent a letter to state governors at the end of last year, which can be viewed here, expressing this sentiment and outlining opportunities for states to pursue Class VI primacy applications.

In addition to Texas, the state of Louisiana has also applied for primacy of Class VI injection wells under the UIC Program. Earlier this year, the EPA announced it intended to approve Louisiana's request to implement the UIC program for Class VI injection wells located within the state. The EPA opened a public comment period for 60 days this summer on Louisiana's Class VI primacy application that closed on July 3, 2023. The EPA also held two in-person public hearings on June 21 and June 23, 2023, in Baton Rouge and one virtual hearing on June 30, 2023. While federal regulators review comments that were received on the agency's proposed approval for Louisiana to take over administration of the UIC program, the EPA has said a public comment period extension is now needed because of the passage of new carbon capture laws in the state legislature. However, these laws were passed early in the initial comment period (HB 571 that was signed into law on June 14, 2023, with an immediate effective date) and prior to the public hearings held on Louisiana's Class VI primacy application. EPA is otherwise not reopening the overall comment period for the agency's proposed approval of Louisiana's Class VI primacy application. U.S. Senator Bill Cassidy, M.D. (R-Louisiana), member of the Senate Energy and Natural Resources Committee, accused the EPA of unnecessarily pushing off Louisiana's Class VI UIC primacy application with the latest comment period, saying the delay makes it clear "the EPA is looking for a problem with Louisiana's primacy application that doesn't exist."

Wyoming and North Dakota are the only states in the nation that already directly regulate Class VI wells.

Railroad Commission's Fort Worth office moving locations

The Fort Worth office of the Railroad Commission of Texas is moving locations. The office, which is relocating to 6777 Camp Bowie Blvd., Suite 233, Fort Worth, Texas, 76116, will open for regular business on Friday, September 1. The office's telephone and fax numbers will remain the same.

The Fort Worth office serves the Critical Infrastructure Division's North Region. This region encompasses the following counties: Archer, Baylor, Bosque, Bowie, Brown, Callahan, Cass, Clay, Coleman, Collin, Comanche, Cooke, Coryell, Dallas, Delta, Denton, Eastland, Ellis, Erath, Falls, Fannin, Foard, Franklin, Freestone, Grayson, Hamilton, Hardeman, Haskell, Henderson, Hill, Hood, Hopkins, Hunt, Jack, Johnson, Kaufman, Knox, Lamar, Lampasas, Leon, Limestone, McCulloch, McLennan, Mills, Montague, Morris, Navarro, Palo Pinto, Parker, Rains, Red River, Robertson, Rockwall, San Saba, Shackelford, Somervell, Stephens, Tarrant, Throckmorton, Titus, Van Zandt, Wichita, Wilbarger, Wise and Young.

If you have difficulty reaching the Fort Worth office during this transition, please call 512-463-6737 or email CID@rrc.texas.gov.

Proposed ESA rule changes pose big economic impact to Texas, warns state official

In a letter submitted to the U.S. Fish and Wildlife Service (USFWS) and the National Oceanic and Atmospheric Administration's National Marine Fisheries Service (NMFS), Texas Land Commissioner Dawn Buckingham, M.D. earlier this month cautioned against rule amendments to the Endangered Species Act (ESA) that have been proposed by federal regulators. The commissioner in her letter specifically pointed to one facet of the Biden Administration's proposed rule that would eliminate the reasonable consideration of economic impacts – like lost revenue for oil and gas production –when deciding whether a new species warrants ESA protections. "In the real world, disclosing the economic implications of a certain course of action is not only common sense but best practice," stated the commissioner, who also emphasized that it would be irresponsible and unjustifiable to disregard real-world economic impacts of listing decisions whenever they are made in the future.

TIPRO members may read the commissioner's complete letter submitted to the USFWS and NMFS on proposed ESA changes here.

Texas General Land Office files comments opposing ESA listing of the Dunes Sagebrush Lizard

This week, the Texas General Land Office (GLO) submitted comments to the U.S. Fish and Wildlife Service (USFWS) fighting the listing of the Dunes Sagebrush Lizard as endangered under the Endangered Species Act (ESA). As TIPRO has previously reported to members, this summer, the USFWS proposed classifying the Dunes Sagebrush Lizard as an endangered species and extending federal protections to the lizard through the ESA. Texas Land Commissioner Dawn Buckingham, M.D., however, has joined other officials from Texas opposing this decision to alter the status of the lizard, arguing such action would have stifle the Texas oil and gas industry and could also negatively affect the education of Texas' schoolchildren.

Photo Source: USFWS

"As a steward of our precious, energy rich state land, and a manager of our state's School Fund, into which the GLO deposited over $2.1 billion in oil and natural gas revenues last fiscal year, the wellbeing of Texans and their families will always be my top priority," said Commissioner Buckingham. "I will not jeopardize the education of our children or risk crippling Texas' oil and gas industry for an ESA listing based on a mishmash of inconsistent statements, disregarded facts and admitted unknowns. If implemented, I am prepared to take the Biden Administration to court to stop this haphazard, unsupported classification."

Commissioner Buckingham expressed concerns that, "although the proposed habitat of the DSL is not well or clearly defined by USFWS, it appears to be located primarily in the Permian Basin of far West Texas, which is the beating heart of Texas' – and the country's – oil and gas industry and, therefore, one of the primary sources of revenue for education in Texas, by way of the School Fund and the Permanent University Fund (PUF)." If the USFWS regulation on the Dunes Sagebrush Lizard were to take effect, said the commissioner, it would cause a decrease in oil and gas revenues that support the School Fund and PUF and have an impact on education in Texas.

To read the letter submitted by the GLO, click here.

TIPRO members interested in reading more about how a federal Dune Sagebrush Listing would disregard a decade's worth of conservation progress are encouraged to read a blog posted this summer from Texans for Natural Gas (TNG), a campaign of the Texas Independent Producers and Royalty Owners Association (TIPRO), accessible here.

EPA initiates new review of ozone National Ambient Air Quality Standards

In late August, the U.S. Environmental Protection Agency (EPA) announced regulators will pursue a new comprehensive review of ozone National Ambient Air Quality Standards (NAAQS), saying a fresh regulatory assessment of the NAAQS policy is necessary to allow the EPA to fully consider the information about the latest ozone science and potential implications for the ozone NAAQS. An independent advisory panel — the Clean Air Scientific Advisory Committee (CASAC) — recommended the review.

The EPA established the current national standards for ozone at a level of 70 parts per billion in 2015 and the Trump Administration retained the standards in 2020, after concluding that there was little new information to suggest the need for revision or change. The CASAC, however, has since identified studies published more recently and also recommended that EPA conduct additional risk analyses that might support more stringent standards. As such, the EPA has determined that incorporating the ongoing reconsideration into a new review will the best approach to ensure full consideration of this new information and advice from science advisors. The agency says it will conduct the review of ozone NAASQ following well-established best practices and processes that embrace scientific integrity and grant the public opportunities to provide input at multiple steps along the way.

"After carefully reviewing the advice of the independent scientific panel, I am convinced that a full and complete review of the ozone NAAQS is warranted to ensure a thorough and transparent assessment of the latest science," commented EPA Administrator Michael Regan. "From the start, I committed that EPA will uphold the integrity of independent, robust processes to ensure that air quality standards reflect the latest science in order to best protect people from pollution. As we initiate a new review, EPA will continue to work closely with our partners at the state, tribal and local levels to fully implement the existing standards, consistent with our Clean Air Act obligations."

The EPA indicates it will convene a public science and policy workshop in the spring of 2024 to gather input from the scientific community and the public regarding its review of the ozone NAAQS. Next summer, the EPA then plans to summarize the proceedings of the workshop and consider how the information gathered can be used to inform the next review, including specific areas of science that warrant particular focus and analytic enhancements. In the fall of 2024, the agency is aiming to release its Integrated Review Plan, Volume 2, to guide consideration by the advisory panel and development of the Integrated Science Assessment.

This past summer, republicans in the U.S. Senate introduced legislation that would improve the processes both for EPA to revise the current NAAQS and for states to implement the standards. The *National Ambient Air Quality Standards Implementation Act of 2023* would provide needed clarity on EPA' s air quality standards and greater regulatory predictability for businesses, while at the same time protecting American jobs. Under the bill, the mandatory review of NAAQS would be extended from five to ten years and ensure the EPA issues timely implementation regulations and guidance when revising NAAQS. The bill also would ensure that for certain ozone and particulate matter nonattainment areas, states are not required to include economically infeasible measures in their plans. The legislation was authored by U.S. Senator Shelley Moore Capito (R-West Virginia), ranking member of the Senate Environment and Public Works (EPW) Committee, and cosponsored by Senators John Barrasso (R-Wyoming), John Cornyn (R-Texas), Cynthia Lummis (R-Wyoming), Pete Ricketts (R-Nebraska), Dan Sullivan (R-Alaska), and Roger Wicker (R-Mississippi).

EPA and Army tweak WOTUS rule to conform with recent Supreme Court decision

The U.S. Environmental Protection Agency's (EPA) and U.S. Army Corps of Engineers on Tuesday issued a new 'Waters of the United States' (WOTUS) rule conforming the federal water regulation with the recent U.S. Supreme Court decision in *Sackett v. EPA*. "While I am disappointed by the Supreme Court's decision in the *Sackett* case, EPA and Army have an obligation to apply this decision alongside our state co-regulators, Tribes, and partners," explained EPA Administrator Michael Regan. "We've moved quickly to finalize amendments to the definition of WOTUS to provide a clear path forward that adheres to the Supreme Court's ruling."

Changes incorporated to WOTUS modify only parts of the 2023 rule that were deemed invalid under the *Sackett v. EPA* decision, said federal regulators. The revisions take effect immediately.

Republicans have quickly criticized the new WOTUS rule by the Biden Administration, complaining that the regulation is still lacking real transparency and results in a definition of WOTUS that remains at odds with the law. "The administration is now trying to make *Sackett* fit with a rule that never should have been issued in the first place. This revised rule ignores fundamental concerns laid out in *Sackett* and is a missed opportunity to finally end longstanding confusion over what constitutes a WOTUS," said House Transportation and Infrastructure Committee Chairman Sam Graves (MO-06) and Water Resources and Environment Subcommittee Chairman David Rouzer (R-NC) in a joint statement.

The EPA and Army will host a public webinar on September 12, 2023, to provide updates on the adjusted definition of WOTUS. For information, please visit EPA's webpage for the amendments rule here. The agencies also plan to host listening sessions this fall with co-regulators and stakeholders, focusing on identifying issues that may arise outside this limited rule to conform the definition of "waters of the United States" with the *Sackett v. EPA* court ruling.

Reminder: Comments on NEPA Phase II reforms due by September 29th

In July, the White House released its highly anticipated proposal that continues work to revamp and reform the National Environmental Policy Act (NEPA). In a second phase of proposed changes designed to overhaul how the government reviews projects, the Biden Administration's White House Council on Environmental Quality (CEQ) this summer published a notice of proposed rulemaking for the "Bipartisan Permitting Reform Implementation Rule" to revise regulations for implementing the procedural provisions of NEPA, including implementing the amendments to NEPA required by the *Fiscal Responsibility Act of 2023*. Other proposed NEPA changes would require consideration of relevant environmental, climate change and environmental justice effects during the environmental review process for a project.

While Democratic officeholders largely have praised the planned changes to NEPA, Republicans have been more critical, warning that the NEPA rework by the Biden Administration would burden American businesses with more red tape and make it easier than ever for environmental activists to tie up and drag out expensive litigation over permitting projects.

Comments on the proposed NEPA Phase 2 rule changes will be accepted until September 29. Comments, identified by docket number CEQ–2023–0003, may be submitted electronically through the federal eRulemaking portal available at https://www.regulations.gov.

Leading up to the comment deadline at the end of September, the CEQ is hosting virtual public meetings to provide an overview of the proposed rule and allow members of the public to provide verbal comments. Registration is required to attend the virtual session. To provide verbal comments during a session, members of the public must request a speaker slot at the time of registration. Upcoming public meetings are planned for Monday, September 11, 2023, from 1 p.m. to 4 p.m. EDT and Thursday, September 21, 2023, from 2 p.m. to 5 p.m. EDT. The CEQ previously held public meetings on NEPA Phase II rulemaking on August 26 and August 30.

For additional information, TIPRO members are encouraged to visit CEQ's NEPA website at www.nepa.gov.

After senators complain, BOEM extends comment period for rulemaking for offshore energy industry

The U.S. Bureau of Ocean Management (BOEM) will provide stakeholders more time to submit comments on a federal rulemaking seeking to modernize financial assurance requirements for the offshore oil and gas industry to decommission obsolete wells and infrastructure on the U.S. Outer Continental Shelf (OCS). On August 24, the BOEM announced it will give the public until Thursday, September 7th to submit input on regulatory updates modernizing evaluation and financial criteria associated with decommissioning costs for aging oil and gas infrastructure on the OCS. To view supporting documentation on the proposed rulemaking and to comment on the proposed revisions, go to Docket BOEM-2023-0027.

The comment period extension comes only a week after U.S. Senators Ted Cruz (R-Texas), Joe Manchin (D-West Virginia), Bill Cassidy, M.D. (R-Louisiana) and John Kennedy (R-Louisiana) demanded the Biden Administration extend the public comment period for the OCS financial assurance proposed rule. As written, the lawmakers argued that the rule disproportionately hurts businesses which produce over one-third of energy developed in the Gulf of Mexico. In addition, the officials warn the rule could further deter new exploration, development, and energy production offshore. The senators said that lengthening the public comment period was necessary to allow for a more detailed and robust public record on the workability and effects of the proposed rule. Officials had asked for the comment period to be extended from 60 to 120 days, though the BOEM has granted only a 10-day extension for the comment period.

"The proposed rule would make changes to the financial assurance regime to secure decommissioning obligations for the offshore oil and gas industry and would impose additional bonding requirements on small businesses. These small businesses, which are disproportionately impacted by the proposed rule, produce 35 percent of the oil and gas from the Gulf of Mexico, contribute billions of dollars to the Treasury and U.S. economy, and employ thousands of men and women from across the nation," wrote the senators in a letter sent to U.S. Interior Secretary Deb Haaland dated August 17. "There is no imminent need for BOEM to finalize the proposed rule," concluded the senators, who suggested that stakeholders be given an additional 60 days to contribute to ongoing discussion on the rules relating to decommissioning obligations for the offshore energy industry.

TIPRO members can view the full letter at here.

Settlement with environmentalist groups leads to new restrictions for offshore oil and gas drilling

As part of a settlement agreement reached between the U.S. government and a coalition of environmental groups, the Bureau of Ocean Energy Management (BOEM) is enacting new restrictions on offshore oil and gas drilling operations in the Gulf of Mexico in an effort to expand protections for an endangered whale. The BOEM is following protections agreed upon in the settlement for the rare Rice's whale — actions include excluding the Rice's whale habitat from any offshore drilling lease sales, lowering oil-and-gas-related vessel speeds to 10 knots when traveling through the whale's defined habitat to reduce the risks of vessel strikes to Rice's whales and reminding operators of their responsibilities to avoid "take" (harming, killing, or harassing) of protected species when seeking permits.

U.S. Senator Joe Manchin (D-West Virginia), chairman of the U.S. Senate Energy and Natural Resources Committee, bashed the administration for giving into demands of environmentalists and intentionally undermining the strong energy security provisions that had been set by Congress under the *Inflation Reduction Act* with the negotiated deal on the whale. "This administration continues to kowtow to radical environmentalists at the expense of American energy security and costs to American families," Senator Manchin said in a statement. The senator pointed attention to limitations only seeming to target the oil and gas industry, but that refrain from any kind of bans to future offshore wind development in this area of the Gulf of Mexico.

Representatives of the energy industry also have warned that the restrictions threaten to hamper safely established and efficient activities in the Gulf of Mexico. They contend the settlement agreement for the whale is another example of "sue and settle" or "regulation by litigation" practices that ultimately fails to satisfy true environmental preservation and diminishes the economic vitality provided by the energy sector.

Federal government plans next Gulf of Mexico offshore oil and gas lease sale for late September

The Department of the Interior's Bureau of Ocean Energy Management (BOEM) last week published details on the U.S. government's next offshore oil and gas lease sale in the Gulf of Mexico. Lease Sale 261, scheduled to take place on September 27, will offer approximately 12,395 blocks on approximately 67 million acres on the U.S. Outer Continental Shelf (OCS) in the Western, Central, and Eastern Planning Areas in the Gulf of Mexico. The lease auction is being conducted as required by the *Inflation Reduction Act of 2022*, which mandated the BOEM hold Lease Sale 261 no later than September 30, 2023, to allow qualified bidders the opportunity to bid on unleased blocks in the Gulf of Mexico OCS in order to explore for, develop, and produce oil and natural gas.

Of note, Lease Sale 261 initially was expected to offer for lease over 13,600 blocks on 73.4 million acres on the U.S. OCS in the Western, Central, and Eastern Planning Areas. The BOEM has reduced size of the offshore lease sale, however, by excluding more than 6 million productive acres, largely due to efforts to protect the Gulf's Rice whale, raising criticism from industry leaders who argue such action violates the administration's energy obligations to the American people and unnecessarily limits the country's energy production capabilities offshore at a time when energy demands at home and abroad are rising. Further, oil and gas representations draw attention to increasing uncertainty for energy developers offshore, with no future offshore lease sales scheduled and the administration still failing to issue a new five-year program for offshore oil and natural gas leasing.

As such, the state of Louisiana, American Petroleum Institute (API) and Chevron U.S.A. Inc. have filed a legal challenge alleging arbitrary and unlawful last-minute changes by the BOEM to the terms of Lease Sale 261. The parties also have filed a motion for preliminary injunction seeking immediate action from the court ahead of the planned Lease Sale 261. "This court should grant plaintiffs—the State of Louisiana, API and Chevron—a preliminary injunction and prevent unlawful provisions from permanently disrupting the result of the fast-approaching lease sale (which Congress has directed must occur by September 30, and which cannot be delayed without causing plaintiffs even more serious injury)," reads the court filing. "Plaintiffs also face real and irreparable harm if the challenged provisions remain effective when bids must be submitted, as they will irrevocably affect the bids placed at the upcoming sale, altering the outcome in ways that cannot be undone while permanently depriving the state of Louisiana of potential revenue."

The last offshore lease sale held by the Biden Administration in the U.S. Gulf of Mexico was Lease Sale 259 in March, as mandated through the *Inflation Reduction Act*, which resulted in $263.8 million in winning bids for 313 tracts.

Biden Administration reverses Trump-era changes to offshore well control rule

The U.S. Department of Interior and Bureau of Safety and Environmental Enforcement (BSEE) this month finalized new regulations that tighten offshore energy drilling safety requirements. Building on reforms that were originally implemented after the Deepwater Horizon incident in 2010, the rulemaking restores standards adopted by the Obama Administration that had been reversed by the Trump White House in 2019. Officials say that the new final rule also incorporates key lessons that have since been learned from operator experience, incident data regarding blowout preventers and well integrity.

The rule will require blowout preventer systems to be able to always close and seal a wellbore to the well's maximum anticipated surface pressure. Under the finalized regulation, operators also will have to provide failure data to the BSEE and a designated third party, with failure investigations mandated to start within 90 days of such an incident.

Secretary Deb Haaland stressed the administration's commitment to the highest standards of worker safety and environmental protections, saying the regulatory improvements to the well control rule were necessary to ensure offshore operations, especially those related to well integrity and blowout prevention, "are based on the best available, sound science."

"This rule strengthens testing and performance requirements for blowout preventers and other well control equipment, provides for timely and robust analyses and investigations into failures, and clarifies reporting requirements to ensure we have appropriate visibility over information and data critical to maintaining well integrity," BSEE Director Kevin Sligh added.

See the final well control rule here.

New federal regulations proposed for distribution lines that carry natural gas

The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) in late August proposed new measures to improve safety requirements for millions of miles of gas distribution pipelines. The proposal from PHMSA would require operators of gas distribution pipelines to update their distribution integrity management programs (DIMP), emergency response plans, operations and maintenance manuals, and other safety practices.

"Every day, millions of miles of gas distribution pipelines deliver energy to tens of millions of Americans, helping heat homes and power businesses," described Transportation Secretary Pete Buttigieg, who also said more must be done to ensure the safety of those pipelines to protect the American public, especially following an accident in 2018 that caused an explosion and killed one person.

"This proposal incorporates lessons from the 2018 Merrimack Valley (in Massachusetts) tragedy to help ensure something like that never happens again. These changes will protect communities and the environment, as well as lower energy costs for consumers," said PHMSA deputy administrator Tristan Brown.

In addition to boosting pipeline safety in the U.S., the proposed rule also builds on the administration's larger climate agenda targeting emission reductions. By decreasing the frequency and severity of incidents on gas pipelines as anticipated from this rulemaking, the release of greenhouse gases from pipeline incidents— in particular methane—to the atmosphere would be minimized, according to PHMSA leaders.

TIPRO members can see PHMSA's proposed rulemaking here.

Hurricane Idalia forces oil and gas companies to shut-in offshore rigs

Several oil and gas companies, including Chevron, were forced to evacuate personnel from oil production platforms offshore this week as Hurricane Idalia quickly strengthened over warm ocean waters in the Gulf of Mexico before making landfall in Florida on Wednesday, August 30. Meanwhile, Kinder Morgan said it temporarily shut several of its terminals in the impacted region and closed the Central Florida Pipeline System as a result of the hurricane.

Former White House Economic Adviser Steve Moore said this week that officials were trying to understand the full impact of the storm on offshore operations and the impact it could have to gas prices nationwide. "We're still trying to assess how much damage this did to some of those offshore rigs. So it will probably cause a temporary rise in gas prices or maybe as much as 25 cents but those increases in prices will probably be over just a few weeks until we get our oil supplies back up again," he said.

Value of energy trade between the United States and Canada surpasses record levels

Energy trade last year between the United States and Canada spiked to $190 billion, a record high, government data from the U.S. Energy Information Administration (EIA) and U.S. Census Bureau shows. By comparison, United States energy trade with Canada totaled $134 billion in 2021 and $178 billion in 2008. The growth in 2022 energy trade value between the two countries primarily was attributed to high commodity prices, driven by inflation, given 2022 energy trade by volume between the United States and Canada remained nearly unchanged from the year prior.

"The value of U.S. exports to Canada and U.S. imports from Canada increased by a combined 41 percent in 2022, but the value of trade was much higher for U.S. imports from Canada. The value of U.S. energy imports from Canada totaled $156.3 billion when adjusted for inflation, and the inflation-adjusted value of U.S. energy exports to Canada was $33.8 billion," noted the EIA.

U.S. crude oil imports from Canada in 2022 averaged 3.7 million barrels per day (b/d) by volume—nearly unchanged from 2021, the EIA said, with the value of the oil imports rising 38 percent to $113 billion. Likewise, U.S. natural gas imports from Canada in 2022 averaged 7.6 billion cubic feet per day (Bcf/d), similar levels to 2021, but the value of these imports grew 76 percent in 2022.

Similarly, energy trade between the United States and Mexico also increased substantially between 2021 and 2022 because of inflation and high commodity prices. This summer, the EIA reported energy trade in 2022 between the United States and Mexico totaled $81.9 billion in real prices, an all-time high. Notably, the trade value of U.S. energy exports to Mexico reached a record annual high of $55.8 billion in 2022, surpassing the previous high of $45.4 billion from 2021. Much of the growth came from higher exports of U.S. petroleum products last year to Mexico. "U.S. petroleum product exports to Mexico averaged 1.7 million b/d in 2022, a 33 percent increase from 2021. The value of U.S. petroleum product exports—the largest component of energy trade with Mexico on a value basis—increased by more than $10 billion to $44.2 billion in 2022 from $33.5 billion in 2021," described EIA experts. Shipments of U.S. natural gas to Mexico were 5.7 billion cubic feet per day (Bcf/d) in 2022, which was 4 percent lower than the 2021 average while prices declined 1.5 percent from 2021.

Energy symposium in Austin to review realities of "all of the above" energy approach

At an upcoming symposium in Austin, energy experts, officials and industry executives will discuss an all-inclusive approach to energy to improve domestic and international economic well-being and national security, as well as address geopolitical implications of the changing energy landscape and opportunities and challenges associated with growing electricity demand. The Kay Bailey Hutchinson 8th Annual Symposium, taking place at the AT&T Hotel and Conference Center in Austin on Friday, September 15, will feature commentary from former U.S. Senator Kay Bailey Hutchinson, former U.S. Representative and ERCOT Vice-Chair and Independent Board Member Bill Flores, EQT Corporation President and CEO Toby Rice, former United States Secretary of Energy and Sempra Infrastructure President Dan Brouillette, former United States Secretary of Commerce Donald Evans, and other energy industry executives. The symposium also is eligible for 6 hours of CLE credit.

TIPRO members are invited to register for this event by visiting https://ow.ly/SKRu50PzS6T.

Texas Independent Producers & Royalty Owners Association

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

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