TIPRO
Texas Independent Producers and Royalty Owners Association

Texas adds more jobs in the oil patch

Upstream oil and gas jobs in Texas jumped in September, newly-released data from the U.S. Bureau of Labor Statistics (BLS) shows. In a new analysis of the BLS' latest Current Employment Statistics (CES) report, the Texas Independent Producers and Royalty Owners Association (TIPRO) said last week that Texas upstream employment for September 2023 totaled 210,700 jobs, an increase of 1,700 jobs from revised August employment numbers. Texas upstream employment in September 2023 represented the addition of 18,700 positions compared to September 2022, including an increase of 2,600 jobs in oil and natural gas extraction and 16,100 jobs in the services sector.

TIPRO also highlighted strong job postings for the Texas oil and natural gas industry during the month of September. According to the association, there were 11,990 active unique jobs postings for the Texas oil and natural gas industry in September, including 4,564 new job postings added during the month by companies. In comparison, the state of California had 3,376 unique job postings last month, followed by Louisiana (1,652), Oklahoma (1,649) and Pennsylvania (1,218). TIPRO reported a total of 52,767 unique job postings nationwide last month within the oil and natural gas sector.

As employment in the state's oil and natural gas sector continues to expand, TIPRO President Ed Longanecker stressed the critical importance of the industry, particularly amid rising geopolitical instability in other regions around the world. "Texas and the Permian continue to break production records while meeting rising energy demand for Americans and our allies abroad," said Longanecker. "We are proud to see that high production numbers from our state are also contributing to a growth in employment in the oil and natural gas industry. With geopolitical conflicts escalating overseas and related market volatility, our industry continues to play an outsized role in supplying energy amid growing demand, underscoring the critical importance of U.S. oil and gas production at home and abroad."

"Texas continues to lead the nation in energy production," Longanecker continued. "Year-to-date through July 2023, Texas oil production accounted for over 43 percent of all oil production in the U.S. Similarly, natural gas production grew 5 percent nationwide, with a majority of the growth coming from the Permian Basin, where forecasts say natural gas production will increase by 11 percent (2.2 billion cubic feet per day) by the end of 2023, with more growth expected in 2024. Meanwhile, liquified natural gas (LNG) exports from Texas and Louisiana to our allies abroad have increased by 116 percent."

"No other industry in the world is as consequential from an economic, energy and national security perspective," Longanecker emphasized. "Operators across the United States and Texas need supportive policies at all levels of government to continue meeting energy demand and maintaining strong employment numbers, not policies that reward regimes like Venezuela, providing them with revenues to stay in power while putting pressure on responsible American producers. Supportive policy decisions must include the use of American oil and natural gas, addressing an outdated permitting process and avoiding policies that put our country at risk of an increased dependence on foreign energy sources. We need collaboration, not politics, to develop a cohesive and sensible strategy that recognizes the critical importance of the U.S. oil and gas industry and the necessary investment in energy infrastructure."

Comment period still open for Railroad Commission's draft rulemaking on oilfield waste

Stakeholders have until Friday, November 3rd to comment on draft rules released by the Railroad Commission of Texas changing how oil and gas waste will be governed. At the beginning of October, the commission unveiled draft amendments to 16 Texas Administrative Code (TAC) §3.8 (also known as Statewide Rule 8), relating to Water Protection; 16 TAC §3.57(Statewide Rule 57), relating to Reclaiming Tank Bottoms, Other Hydrocarbon Wastes, and Other Waste Materials; and 16 TAC Chapter 4, Subchapter B, relating to Commercial Recycling; and new 16 TAC Chapter 4, Subchapter A, relating to Oil and Gas Waste Management. The proposed changes, which represent a major overhaul to the state's cornerstone waste management rules, include streamlining of Statewide Rule 8 into the commission's existing Chapter 4 regulations concerning environmental protection, updating requirements on the design, construction, operation, monitoring, and closure of waste management units, and improving the commission's ability to track and collect data with respect to oilfield waste transported throughout Texas.

To view the draft amendments, rules synopsis and submit comments online, visit the Railroad Commission website at www.rrc.texas.gov/general-counsel/rules/draft-rules/.

Chairman's message

Jud Walker

TIPRO members —

More than $110 billion worth of oil megadeals have been announced in the last month with Chevron's recent disclosure to buy Hess and ExxonMobil's agreement to purchase Pioneer Natural Resources. Rumors of more large-scale M&A are rampant and pose an important question for independent operators: What does the future look like for the independent upstream operator?

Before we answer that question, let's investigate what is driving this recent surge in mega-mergers. Within a day of Chevron announcing its acquisition of Hess, the International Energy Agency (IEA) issued an extensive report that concluded demand for oil, natural gas and other fossil fuels would peak by 2030 as renewable energy sources displace hydrocarbons. As we have discussed in multiple publications and at TIPRO meetings, these projections are fraught with numerous assumptions that are inaccurate and pander to a narrative that is impossible to shift to over the next few decades (i.e., how do you replace jet fuel? Would you like to be the first person on a renewable-powered jet?). The large E&Ps know as well as we do that oil and natural gas are not only going to be around for several more decades but also that securing quality inventory at current commodity prices is strategically the best move that can be made right now. The pressure to decarbonize over the last few years has given way to market conditions that necessitate consolidation. Investor interest in the large-cap E&P sector has increased substantially as valuation gaps between the majors and smaller producers have widened. Coupled with a declining opportunity set of shale inventory (quality and quantity), we are seeing a wave of consolidations.

So, back to our question, what does the future look like for the independent upstream operator? I would argue that it is laden with opportunity. Despite nearly a decade of capital starvation, the U.S. independent has managed to buoy up the rig count (approximately half of the lower 48 rig count is driven by private operators), support over 4 million jobs and manage over 80 percent of America's oil and natural gas production. In Texas alone, there are over 6,000 active operators. The consolidation trend is, in reality, a bullish signal for energy investors. Coupled with growing global demand and few places to supply that growth, other than the U.S., independent operators will have more than enough opportunity in the future to participate in the next cycle that is unfolding. Furthermore, sentiment amongst traditional and non-traditional buyers of oil and gas assets is changing as the realities of failed renewable investments are realized. We will hopefully see increased capitalization within the private sector as the themes of increasing demand, energy security and investment quality continue to build. Finally, as the majors rationalize their newly combined portfolios, the rig count will likely drop and portions of their consolidated positions will possibly be available to acquire. Please make no mistake though, we have many high-priority items to tackle. From fighting for reasonable and effective regulations to attracting the next generation of leaders, TIPRO is positioned to aid, advocate, and educate in the coming dynamic market.

Thank you for your commitment to our industry and TIPRO. We have much to accomplish together over the next several years.

Jud Walker

Diamondback Energy president and CFO to speak at next month's 'Leaders in Industry' luncheon

Join the Texas Independent Producers and Royalty Owners Association (TIPRO), Houston Producers Forum and Independent Petroleum Association of America (IPAA) on Tuesday, November 28th at the Petroleum Club of Houston for the final 'Leaders in Industry' luncheon of the year! Kaes Van't Hof, president and chief financial officer of Diamondback Energy, will present during the event.

Van't Hof has served as president and chief financial officer of the Midland, Texas-based independent E&P company since February 2022. Prior to his current position, he served as the company's chief financial officer and executive vice president of business development from February 2019 to February 2022, as senior vice president of strategy and corporate development from January 2017 to February 2019 and as Diamondback's vice president of strategy and corporate development since joining the company in July 2016. Before working for Diamondback, Van't Hof served as chief executive officer for Bison Drilling and Field Services from September 2012 to June 2016. From August 2011 to August 2012, Van't Hof was an analyst for Wexford Capital, LP responsible for developing operating models and business plans and before that worked for the Investment Banking - Financial Institutions Group of Citigroup Global Markets, Inc. from February 2010 to July 2011.

To sign up to attend the November 28th 'Leaders in Industry' luncheon, please click here.

Save as a TIPRO member on registration for Hart Energy's Executive Oil Conference & Expo

Hart Energy's 30th Anniversary of the Executive Oil Conference & Exhibition is returning to the Permian Basin November 15-16 at the Midland County Horseshoe Arena! What's next for Permian producers and how do they navigate the near-term and long-term future as markets shift, economic factors flux, and new technologies develop? Join Hart at this year's conference and exhibition to find out. See the full agenda here. Learn more about the Executive Oil Conference & Expo and sign up at: https://tinyurl.com/4jywny86. TIPRO members receive a 20 percent discount off their full-conference registration by entering code: TIPRO20.

TIPRO CALENDAR OF EVENTS

NOVEMBER 8, 2023	NOVEMBER 15-16, 2023	NOVEMBER 28, 2023
MIDLAND — NARO-Texas and Texas Energy Council Permian Symposium. For information, email symposium@texasenergycouncil.org.	MIDLAND — Hart Energy Executive Oil Conference and Expo. For information, email registration@hartenergy.com.	HOUSTON — TIPRO/IPAA/HPF "Leaders in Industry" Luncheon. For information, email info@houstonproducersforum.org.

Legislative update from TIPRO as third special session continues at the Texas capitol

The Texas legislature is back at work at the state capitol for the third special session called by Texas Governor Greg Abbott this year. It is important to note that any legislation considered during the special session must be specific to the governor's call. Pursuant to a gubernatorial proclamation issued by Governor Abbott on October 5, 2023, in the third-called special session of the 88th Texas Legislature, legislation that may be heard can only pertain to: education savings accounts for Texas schoolchildren, the criminal offense for illegal entry into the state from a foreign nation, increasing penalties for the smuggling of persons or operation of a stash house, providing more funding for construction of border barrier, legislation concerning the Colony Ridge development in Liberty County, and/or prohibiting COVID-19 vaccine mandates by private employers. Legislation on issues outside of the call may be filed but are often never heard and would be subject to parliamentary procedures that would likely result in a bill's demise.

In the 88th third-called special session, the following bills have been filed that could potentially impact the oil and natural gas industry, which TIPRO will monitor throughout the session:

- House Bill 77 by Rep. Reynolds would create a 2 year "climate change impact assessment council" to study the impact of climate change on the health, safety, and welfare of Texans and make recommendations and a study to the legislature. The bill is a refile of bills filed the last two sessions that were never heard in committee and will not be heard during the third-called special session.
- House Bill 86 by Rep. Reynolds would create the Environmental Justice Council to advise state agencies and local governments on environmental justice issues. The bill defines environmental justice as the fair treatment of people of all races, cultures, and incomes in the development, adoption, implementation, and enforcement of environmental law and policy. The council is charged with reviewing state agencies and programs intended to protect the environment, as well as environmental permits issued and applied for and assess them their positive or negative effects on environmental justice. The bill is a refile of bills filed the last two sessions that were never heard in committee and will not be heard during the third-called special session.
- House Bill 116 by Rep. Toth would prohibit any agency of the state or person employed by an agency of the state from contracting with or providing assistance to a federal agency or official regarding the enforcement of a federal statute, order, rule, or regulation purporting to regulate gas appliance, vehicle, or tool usage if it imposes a prohibition, restriction, or other regulation that does not exist under Texas law.
- Senate Bill 38 by Senator Creighton would allow the Texas Facilities Commission to exercise the power of eminent domain for the construction, extension, improvement, or development of a border wall. TIPRO is monitoring the bill for potential amendments related to eminent domain.

TIPRO will continue to update members on the movement of these bills and any other bills filed that could impact the industry throughout the third-called special legislative session.

Early voting now underway for state's constitutional amendment election

Before the state's constitutional amendment election on November 7, registered voters can now cast their ballot early on 14 propositions that would amend the state constitution. Early voting began on Monday, and will last through Friday, November 3.

Voters this year participating in the constitutional amendment election will decide on a range of important initiatives, including funding that will support new water supplies and repairs for existing water infrastructure (Proposition 6) and efforts to stabilize and strengthen the electric grid by increasing dispatchable energy for power generation (Proposition 7).

Voters are reminded to bring a valid photo ID with them to the polls. Locate your nearest polling location and find other important voter information by visiting Texas' official voting resource at www.votetexas.gov.

Railroad Commission again exceeds performance targets for well plugging and inspections

During the state's 2023 Fiscal Year, which ended on August 31, the Texas Railroad Commission reports it again surpassed annual performance targets set by the state legislature pertaining to regulation of the oil and gas industry, intrastate pipelines, surface mining, and alternative fuels. For the seventh year in a row, the commission's Oil and Gas Division topped the target established for its award winning well plugging program. The legislature had set a target of 1,000 orphaned wells to be plugged in Fiscal Year 2023, and the Railroad Commission plugged a total 1,750 wells in the last fiscal period, including 1,020 wells with oil and gas funds and an additional 730 orphaned wells using federal grants.

The commission also performed beyond annual goals for the number of oil and gas well and facility inspections in the last fiscal year, completing 424,952 well and facility inspections, well over the 345,000 target set by the legislature.

"I'm proud of the work Railroad Commission staff have put in yet another successful year to ensure public safety while also helping meet the critical energy needs of Texans and the nation," said Railroad Commission Executive Director Wei Wang. "Texans expect results from us. They deserve it, and our staff delivers it everyday. A great example of providing that service is through exceeding the performance goals set by the legislature. That is our bottom line."

Notice: New telephone for Railroad Commission Fort Worth office

The Fort Worth office of the Railroad Commission of Texas recently moved to a new location. The office's new address is 6777 Camp Bowie Blvd., Suite 233, Fort Worth, Texas, 76116. The office also has a new telephone number – to contact the district office by phone, call (817) 731-1004.

The agency's Fort Worth district office serves the Railroad Commission's Critical Infrastructure Division's North Region. The office also serves the commission's Alternative Fuels Safety District's 4, 12, 13 and 14, and serves the Pipeline Safety Region 6.

Texas legislators dispute rationale behind proposed Dunes Sagebrush Lizard ESA listing

In a new comment letter submitted in October to the U.S. Fish and Wildlife Service (USFWS), Texas State Senators Kevin Sparks (R-Midland), Pete Flores (R-Pleasanton) and Charles Perry (R-Lubbock) expressed strong opposition to the proposed listing of the Dunes Sagebrush Lizard as an endangered species under the Endangered Species Act (ESA). As the USFWS deliberates on a potential designation of the lizard as endangered, the three state lawmakers emphasized that while species conservation is important, the USFWS is ignoring conservation agreements that are already helping preserve the lizard population and its habitat. Further, the legislators contend, the USFWS must fully weigh the economic impacts along with other implications that would result if the Dunes Sagebrush Lizard is listed as endangered, especially given the disruption it would cause to oil and gas operations in West Texas, jobs and the state's economic prosperity.

"It is crucial that the ESA remains true to its original purpose of safeguarding species without being used for political purposes, and that your agency consider existing voluntary conservation agreements that landowners have forged over the years with the federal government, as well as established U.S. Supreme Court precedent. Texas stands as a powerhouse in energy, and this industry is foundational to our state's prosperity," wrote the senators in their recent letter to USFWS Director Martha Williams.

"More evidence must be presented to show the need to designate the Dunes Sagebrush Lizard as endangered at this time," observed state officials. "We urge your agency to approach the proposed rule with both a commitment to species protection and a thorough understanding of its potential economic implications-all of which could reverberate far beyond the oil and gas industry. But with respect to just that industry alone, the designation's effect will have inflationary implications for all Americans, considering already escalating oil prices due to President Biden's anti-fossil fuel approach to the energy sector. A comprehensive assessment of these repercussions is essential to make an informed decision that avoids unnecessary harm to our economy. Let the ESA fulfill its intended purpose without being misused for political ends. The delicate balance between environmental conservation and economic stability must be upheld for the wellbeing of our constituents, our state, and our country."

TIPRO members may read the full comment letter submitted by the Texas legislators here.

U.S. senators ask NOAA to pull Rice's whale critical designation proposal imperiling offshore energy

U.S. Senators Ted Cruz (R-Texas), ranking member of the U.S. Senate Commerce Committee, Joe Manchin (D-West Virginia), chairman of the U.S. Senate Energy and Natural Resources Committee, Bill Cassidy, M.D. (R-Louisiana), Cynthia Lummis (R-Wyoming) and 12 other senior senators earlier this month urged the National Oceanic and Atmospheric Administration (NOAA) and the National Marine Fisheries Service (NMFS) to withdraw a proposed rule that would designate more than 28,270 square miles of the Gulf of Mexico as a "critical habitat" for the Rice's whale. In a letter to Dr. Richard Spinrad, the chief administrator of NOAA, and David Bernhart, assistant regional administrator of the NMFS, the group of senators requested the agencies rescind the proposed critical habitat designation rule for the whale, arguing the regulation as currently written lacks sufficient evidence, relies on an incomplete study and vastly underestimates the economic and national security impacts of such a designation.

"The proposed rule as written fails to comply with important elements of the Endangered Species Act (ESA) and would jeopardize domestic energy production, national security, and other important interests," wrote the senators. "For one, the proposed rule claims, without adequate evidence, 'that at the time of listing Rice's whales occupied the Gulf of Mexico.' NFMS claims this based on only a single sighting of a Rice's whale off the central Texas coast in 2017 and de minimis possible acoustic detections in the western and northern Gulf of Mexico. The reality is decades of surveys of the Gulf have made very few observations of Rice's whales and only in limited geographic areas. This is both legally and scientifically insufficient to demonstrate the Rice's whales occupied the habitat. The proposed designation also fails to meet the ESA's requirement that a critical habitat be 'specific areas within' the broader geographical area occupied by the species. Instead, the rule would designate more than 28,270 square miles of the Gulf of Mexico as a critical habitat, an area larger than West Virginia," continued the senators.

TIPRO members may read the full letter here.

As previously reported by TIPRO, in early October, the Railroad Commission of Texas also submitted comments to the NMFS forewarning that an expansion of the critical habitat for the Rice's whale in the Gulf of Mexico would negatively impact oil and gas operations offshore, which would present alarming and negative effects on the economy of Texas. "Restricting energy activity in the Gulf of Mexico will impact the supply of crude oil, petroleum products, and liquified natural gas (LNG) when there's no scientific evidence to support a vast habitat that spans from Texas to Florida, as the service is proposing. Without a solid foundation of scientific, fully peer-reviewed data, and observations, the current proposal raises serious concerns that the service does not have adequate scientific evidence to base its proposed designation," said the commission. See the commission's full comments regarding the whale here.

Additionally, TIPRO and other allied trades authored a letter to NOAA issuing extreme concerns with the expanded critical habitat designation of the Rice's Whale in the Gulf of Mexico. Much like officials, the letter from the Texas energy and business community argued that the proposal to extend the critical habitat of the Rice's whale along most of the Gulf of Mexico coastline introduces a host of economic, national security and other detrimental impacts that are not justified by the available scientific data. To read the letter in full, click here.

President vetoes resolution that would have rolled back protections for the Lesser Prairie-Chicken

President Joe Biden last month formally vetoed a legislative resolution that would have nullified his administration's rule listing the Northern Distinct Population Segment of the Lesser Prairie-Chicken as threatened and the Southern Distinct Population Segment as endangered under the Endangered Species Act (ESA). Following the president's veto, the Senate took a vote to override the president's action, though fell short of the two-thirds support needed to overturn the president's legislative veto on federal protections for the Northern and Southern Distinct Lesser Prairie-Chicken population.

Legislation introduced in U.S. Senate to prohibit EPA from mandating adoption of electric vehicles

While the U.S. Environmental Protection Agency (EPA) considers new emissions standards that would effectively require 67.5 percent of U.S. vehicle sales to be electric by the year 2032, lawmakers on Capitol Hill are working on passing new policies that would block the de facto mandate on electric vehicles (EVs) by the executive branch. The *Choice in Automobile Retail Sales (CARS) Act* was filed this month in the U.S. Senate by U.S. Senator Kevin Cramer (R-North Dakota), ranking member of the U.S. Senate Environment and Public Works (EPW) Subcommittee on Transportation and Infrastructure, and cosponsored by close to 30 fellow senators, including Ted Cruz from Texas.

The EPA's rule represents the most aggressive tailpipe emissions proposal ever crafted. The *CARS Act* would prevent the EPA from finalizing, implementing or enforcing its proposed emissions rule. It also would prohibit the use of authority under the Clean Air Act to issue regulations that mandate the use of any specific technology or that limit the availability of new motor vehicles based on that vehicle's engine type. This includes any regulation prescribed on or after January 1, 2021. Finally, under the bill, the EPA would be required to update any regulations crafted since January 1, 2021, that result in the limited availability of new vehicles based on that vehicle's engine within two years.

"The Biden Administration's climate zealots are intent on forcing unrealistic, expensive regulations on Americans designed to change the most basic facets of life, even the type of car they can buy," commented Senator Cramer. "It's absurd to think this somehow benefits middle-class Americans, who are already feeling the squeeze of 'Bidenflation' on their wallets... We need to put a stop to this forced and dangerous agenda by prohibiting the EPA from any further attempts to mandate EVs."

Click here to view the bill.

On behalf of the association's members, TIPRO has joined legal efforts also trying to deny federal rulemakings that force an accelerated transition to electric vehicles in the United States, which could decimate the market for internal combustion engines and devastate the fossil fuel industry as well as impact a substantial portion of the national and state economies and populations that are directly dependent on or strongly affiliated with the oil and gas industry. In the last year, TIPRO has filed three briefs challenging multiple rulemakings by the EPA and the National Highway Traffic Safety Administration (NHTSA) that would collectively, in concert with the State of California, force wholesale transition in the U.S. from vehicles powered by internal combustion engines to electric powered vehicles.

House speaker drama finally reaches a conclusion as key vote on government funding looms

A fractured GOP has struggled for weeks to unite behind a candidate for the leadership position in the U.S. House of Representatives, after Kevin McCarthy was ousted from the top post in the House earlier this month. Several Republican candidates have pursued bids to takeover for McCarthy after he was removed as U.S. House speaker in a historic vote on October 3, but not until October 25th were officials able to successfully elect a new House speaker, Representative Mike Johnson (R-Louisiana).

Now that the House chamber again has a leader in place, congressional members have work cut out for them as legislators soon will face a key deadline on continuing funding of the federal government. At the end of September, in a down-to-the-wire vote, members of Congress were able to agree on a short-term 45-day funding extension to keep the government open and avert a costly shutdown. H.R. 5860, which was signed by President Joe Biden on September 30, provides appropriations to support continuing projects of the federal government and extends several expiring authorities only through November 17, 2023.

SAVE THE DATE!

MARCH 6-7, 2024 | THE CRESCENT HOTEL | FORT WORTH, TEXAS

The Texas Independent Producers & Royalty Owners Association will host its 78th Annual Convention next March in Fort Worth! TIPRO's conference, which will include presentations and important discussions from industry executives, oil and gas experts and policymakers, will cover the latest issues and trends facing our membership. Plan to join TIPRO on March 6-7, 2024, at the new Crescent Hotel in Fort Worth for this can't miss industry event. Stay tuned for additional conference details and information on registration for the conference.

Senate bill seeks to prevent abuse of water quality certifications

The *Water Quality Certification Improvement Act of 2023* was reintroduced this week in the U.S. Senate to amend Section 401 of the Clean Water Act. The bill, cosponsored by U.S. Senators John Barrasso (R-Wyoming), Kevin Cramer (R-North Dakota), Cynthia Lummis (R-Wyoming), Steve Daines (R-Montana) and Pete Ricketts (R-Nebraska), aims to prevent abuse of the Section 401 policy by activist states and environmental extremists trying to delay critical energy projects or block energy infrastructure development by putting into place common sense procedural guardrails and requirements on states as they process requests for water quality certification.

TIPRO members may read the *Water Quality Certification Improvement Act of 2023* here.

Biden eases Venezuelan oil sanctions while congressmen work to ban imports from adversaries

President Joe Biden's administration on October 18th agreed to temporarily lift a broad array of oil, gas and gold sanctions against Venezuela. After the country recently accepted election reforms, including allowing international observers to monitor elections in the South American country, and in light of other democratic developments, the U.S. Department of Treasury effectively lifted most U.S. sanctions on Venezuela's energy sector that were imposed in 2019 by the Trump Administration. The sanctions are being revised for a six-month period, though the Treasury advises it is "prepared to amend or revoke authorizations to Venezuela at any time."

The policy decision allowing Venezuela to export energy to America received boisterous criticism from federal officeholders and the U.S. energy industry. Senator Joe Manchin (D-West Virginia), chairman of the U.S. Senate Energy and Natural Resources Committee, said he had strong concerns about the Venezuelan sanctions being lifted and questioned why the White House would allow Venezuela to supply oil to global markets while at home implementing restrictive policies that threaten to deter domestic energy production. "On the heels of announcing the smallest 5-year offshore oil and gas leasing plan in decades, this administration is turning to Venezuela — they know I have a problem and I'm sure many of you will have feelings on this — one of the world's dirtiest energy producers and an oppressor of its own people, to help make up the production that they refuse to allow in America. I understand that the administration believes this will encourage Venezuela to make democratic reforms, that has been tried, and we've failed before. It makes no sense at all to reward bad actors before they actually take the action you want."

Likewise, Senator John Barrasso (R-Wyoming), who also sits on the U.S. Senate Energy and Natural Resources Committee and serves as ranking member of the legislative panel, said that the decision "shows once again" that President Biden "would rather go with dictators on a bended knee than … allow us to use American energy."

Kevin Cramer (R-North Dakota), member of the U.S. Senate Environment and Public Works (EPW) Committee, agreed, saying rather than doing business with U.S. adversaries, Washington should be allowing more energy to be produced at home. "The idea of importing oil from our adversaries is a complete slap in the face of working Americans," stated the senator. "We should be using and supporting American energy, and any reliance on our adversaries for something as critical as energy is an obvious threat to our national security."

Meanwhile, in response to the administration's action, a group of U.S. senators are working to ban oil and natural gas imports from Venezuela and also Iran through new legislation filed in the Senate. The *Preempting Misguided Appeasement and Financing of Destabilizing Regimes Act of 2023*, sponsored by Cramer and other Republican Senators including John Hoeven (North Dakota), Marco Rubio (Florida), Roger Marshall (Kansas), Steve Daines (Montana), Rick Scott (Florida), James Lankford (Oklahoma) and Thom Tillis (North Carolina), seeks to prohibit the importation of Venezuelan and Iranian crude oil, petroleum, petroleum products and liquefied natural gas (LNG) into the United States. "Since day one, the Biden Administration has closed off access to our vast domestic oil and gas reserves and undermined our nation's energy security. Now, instead of producing the energy we need here at home, the Biden Administration is seeking to do business with our adversaries. Our legislation will block the import of oil and gas from Iran and Venezuela, and help the U.S. maintain pressure on these two nations. Instead of easing sanctions on Iran and Venezuela's primary source of revenue, we can and should produce that energy here at home," remarked Senator Hoeven.

"The United States is blessed to have a plentiful supply of oil and natural gas — we should be using it. American-produced energy is cleaner and provides good paying jobs for American workers... Under no circumstance should we be funneling money into the hands of dictators and narco-terrorists who are aiding Vladimir Putin's unjustified invasion of Ukraine. Enough is enough — it's time to bring energy production back home," concurred Senator Rubio.

U.S. planning to buy 6 million barrels of oil for SPR

The U.S. Department of Energy last week announced it intends to purchase millions of barrels of crude oil for the Strategic Petroleum Reserve (SPR) in continuation of the Biden Administration's replenishment plans for the nation's emergency oil stockpile. Officials said earlier this month that the Energy Department will post monthly solicitations to buy oil for the SPR through at least May 2024, beginning with a solicitation for up to 6 million barrels of oil in December 2023 and January 2024. The department is aiming to spend $79 a barrel or less for the oil, up from its earlier preferred range of $67 to $72 a barrel for the SPR refill push. However, oil prices have increased due to market conditions and currently are trading at around $90 per barrel. With forecasts showing oil prices remaining elevated heading into next year, it is unclear what impact that could have on the administration's goals to buy up more oil for the reserve.

Following historic releases of oil from the SPR by the Biden Administration last year, SPR levels in September 2023 totaled 350 million barrels, the lowest since 1983.

Longtime Permian wildcatter and founder of Henry Resources passes away

James "Jim" Henry, founder of Henry Resources and well-respected community philanthropist in the Permian Basin, passed away at the age of 89 on Tuesday, October 17. Henry was an executive member of TIPRO for the past 13 years.

After serving in the Air Force as lieutenant following his graduation from college, Henry began his career in oil and gas working for Humble Oil and Refining Company and later Skelly Oil Company and then Solar Oil Company in Midland. In 1969, Henry co-founded H&L Consultants with Bob Landenberger before transitioning to become an independent operator when both partners formed Henry & Landenberger, Inc., drilling their first well in 1971. This company would later become Henry Petroleum Corporation, where Henry served as the CEO and co-owner until it was sold to Concho Resources in 2008. He then founded Henry Resources LLC.

Henry long held a staunch commitment to serving the Permian community and was involved with many charitable organizations. In addition to his leadership role in the Texas oil and gas industry, Henry sat on the boards of Casa de Amigos, Midland Need to Read, YMCA of Midland, Bush Tennis Center, Midland College Foundation, United Way of Midland, Petroleum Club of Midland, Petroleum Museum of the Permian Basin and the Principal's Advisory Board to Coleman High School.

ExxonMobil acquiring Pioneer Natural Resources in a megadeal expected to reshape the Permian

In a blockbuster $60 billion megadeal, supermajor ExxonMobil announced on October 11th it is buying one of the country's largest independent oil and natural gas producers, Pioneer Natural Resources. It is the largest corporate acquisition in U.S. upstream oil and gas in 25 years, since Exxon acquired Mobil in 1998 for $82.5 billion, slightly beating out Occidental Petroleum's $57 billion acquisition of Anadarko Petroleum in 2019, notes energy analytics company and TIPRO member Enverus. The acquisition of Pioneer Natural Resources, a member of the Texas Independent Producers and Royalty Owners Association (TIPRO), will significantly boost ExxonMobil's inventory positioning across the Permian Basin, combining Pioneer's more than 850,000 net acres in the Midland Basin with ExxonMobil's 570,000 net acres in the Delaware and Midland Basins. Together, the companies will have an estimated 16 billion barrels of oil equivalent resource in the Permian. Following closure of the acquisition, ExxonMobil's Permian production volume is expected to more than double to 1.3 million barrels of oil equivalent per day (MOEBD), based on 2023 volumes, said company leaders, and is projected to increase to approximately 2 MOEBD in 2027. ExxonMobil promoted the transaction as an opportunity for even greater U.S. energy security by bringing the best technologies, operational excellence and financial capability to an important source of domestic supply, benefitting the American economy and its consumers.

"Pioneer is a clear leader in the Permian with a unique asset base and people with deep industry knowledge. The combined capabilities of our two companies will provide long-term value creation well in excess of what either company is capable of doing on a standalone basis," said ExxonMobil Chairman and CEO Darren Woods. "Their tier-one acreage is highly contiguous, allowing for greater opportunities to deploy our technologies, delivering operating and capital efficiency as well as significantly increasing production. As importantly, as we look to combine our companies, we bring together environmental best-practices that will lower our environmental footprint and plan to accelerate Pioneer's net-zero plan from 2050 to 2035."

Pioneer Chief Executive Officer Scott Sheffield commented, "The combination of ExxonMobil and Pioneer creates a diversified energy company with the largest footprint of high-return wells in the Permian Basin. As part of a global enterprise, Pioneer, our shareholders and our employees will be better positioned for long-term success through a size and scale that spans the globe and offers diversity through product and exposure to the full energy value chain. The consolidated company will maintain its leadership position, driving further efficiencies through the combination of our adjacent, contiguous acreage in the Midland Basin and our highly talented employee base, with the improved ability to deliver durable returns, creating tangible value for shareholders for decades to come."

As part of the transaction, ExxonMobil noted plans to leverage its Permian greenhouse gas reduction work to accelerate Pioneer's net zero emissions plan by 15 years, to 2035. ExxonMobil will apply its industry-leading new technologies for monitoring, measuring and addressing fugitive methane to lower both companies' methane emissions. In addition, using combined operating capabilities and infrastructure, Exxon expects to increase the amount of recycled water used in its Permian fracturing operations to more than 90 percent by 2030.

Chevron agrees to purchase Hess Corporation for $53 billion in latest industry megadeal

In a second mega deal announced for the U.S. oil and gas sector this month, Chevron Corporation said on Monday, October 23rd it is buying upstream producer Hess Corporation for $53 billion. The acquisition of Hess will expand Chevron's shale properties and assets in the Bakken shale formation in North Dakota, adding to Chevron's other leading positions in the DJ and Permian Basins. With the Hess deal, Chevron stands to gain 465,000 net acres of high-quality, long-duration inventory in the Bakken supported by the integrated assets of Hess Midstream. Additionally, Chevron will also secure opportunities for development in offshore Guyana, which holds a strong outlook for oil production growth in future years.

"This combination positions Chevron to strengthen our long-term performance and further enhance our advantaged portfolio by adding world-class assets," Chevron Chairman and CEO Mike Wirth said in prepared remarks. "Importantly, our two companies have similar values and cultures, with a focus on operating safely and with integrity, attracting and developing the best people, making positive contributions to our communities and delivering higher returns and lower carbon."

Hess CEO John Hess agreed the merger between his company and Chevron "brings together two strong companies to create a premier integrated energy company."

News of the Chevron-Hess deal comes only two weeks after ExxonMobil's $60 billion purchase of shale driller Pioneer Natural Resources. Both transactions are contributing to further consolidation across the energy industry. Analysts note the two mega-mergers also underscore the high demand for fossil fuels that is expected to continue for years to come, despite renewable energy initiatives being pushed by policymakers the United States and other governments abroad. Big investments from large industry players like Chevron and ExxonMobil in small and midsized oil and gas production companies in the United States show confidence in the future of fossil fuels.

Enverus: October's colossal acquisitions overshadow upstream M&A dealmaking in Q3

Though October has brought on multiple blockbuster takeovers by ExxonMobil and Chevron involving historic levels of dealmaking for the oil and gas industry that top $115 billion in value, the third business quarter was a relatively quieter period for mergers and acquisitions in the upstream sector, energy analytics firm and TIPRO member Enverus reported this week. Upstream M&A cruised along in the third quarter with $14 billion transacted in 25 deals, said Enverus, lower than the $24 billion transacted in 20 deals during the second quarter of the year and down from the $16 billion in upstream transactions made during the same period a year ago. Enverus highlighted ExxonMobil's acquisition of Denbury Inc., an experienced developer of carbon capture, utilization and storage (CCS) solutions and enhanced oil recovery, in July for $4.9 billion as one of the quarter's biggest upstream deals.

"As anticipated, the pace of consolidation slowed for private E&Ps as the cream of the crop in terms of scale and quality has largely, but not entirely, been bought out," said Andrew Dittmar, senior vice president of Enverus Intelligence Research (EIR), a subsidiary of Enverus. "The next logical step in consolidation is more tie-ups between public producers."

TIPRO

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.

919 Congress Avenue, Suite 1000
Austin, Texas 78701
Phone: (512) 477-4452
Fax: (512) 476-8070
www.tipro.org