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Texas Independent Producers and Royalty Owners Association

Dozens of U.S. lawmakers, led by Texas Congressman August Pfluger, push for Congress to repeal IRA natural gas tax

In a new letter sent to recently-elected House Speaker Mike Johnson (R-Louisiana) and Senate Minority Leader Mitch McConnell (R-Kentucky), over 30 Republican legislators have asked for the repeal of an industry emissions reduction program included in the *Inflation Reduction Act (IRA)*, which was passed by Congress and signed into law in 2022. The IRA's Methane Emissions Reduction Program (MERP) includes a natural gas tax that is "inappropriate" and "highly unworkable," described the coalition of federal lawmakers, led by Republican Representative August Pfluger of Texas (TX-11). The MERP imposes a tax on emissions beyond 25,000 annual tons of carbon dioxide or an equivalent amount of pollution, according to the letter that was sent to Johnson and McConnell. Companies will be forced to collect the relevant data and pay a fee of $900 for every metric ton above 25,000 starting in 2024, which increases to $1,200 per extra metric ton in 2025 and then $1,500 per extra ton in 2026 and beyond.

"If implemented, the ill-conceived natural gas tax will handicap technological innovation, reduce supplies of affordable energy, and increase both costs and emissions," warned officials. In order to prioritize America's energy security and dominance, as well as keep energy costs down for consumers already struggling with persistent inflation and record energy prices, the IRA's natural gas tax must be repealed, Republicans told congressional leaders. TIPRO members may read the full letter here.

Representative Pfluger has led efforts to repeal the methane tax created by the IRA since last year. Last September, the congressman introduced the *Protecting the Permian Basin Act of 2022*, a bill seeking to repeal the harmful tax on oil and gas producers that was included in the IRA. In January of this year, with the start of a new term of Congress, Congressman Pfluger introduced a similar bill, the *Natural Gas Tax Repeal Act*, to strike the natural gas tax imposed by the IRA. Pfluger's bill was introduced with 26 original cosponsors including many members of the Texas congressional delegation, such as Representatives Jodey Arrington (TX-19), Pat Fallon (TX-4), Nathaniel Moran (TX-1), Beth Van Duyne (TX-24), Chip Roy (TX-21), Pete Sessions (TX-17), Monica De La Cruz (TX-15), Jake Ellzey (TX-6), Dan Crenshaw (TX-2), Brian Babin (TX-36), Randy Weber (TX-14) and Ronny Jackson (TX-13).

U.S. House passes appropriations bill that offers a boost to nation's oil and gas sector

Legislation that provides appropriations for the U.S. Department of the Interior, Environmental Protection Agency (EPA) and related agencies for the fiscal year ending September 30, 2024, was passed by the U.S. House of Representatives on Friday, November 3rd by a vote of 213 to 203. The funding bill H.R. 4821 proposes significant cuts to budgets for the Interior and EPA, while also advancing policies that aim to ease unnecessary regulatory burdens for U.S. industries and boost domestic energy production.

Specifically, the bill provides new non-defense discretionary spending totaling $25.417 billion, which is $13.433 billion (35 percent) below the Fiscal Year 2023 enacted level and $21.371 billion below the president's budget request. The bill reduces EPA funding by 39 percent, decreases overall funding for the Interior by 7 percent from its Fiscal Year 2023 enacted level and also lowers funding allocated to the U.S. Fish and Wildlife Service (USFWS) and the White House Council on Environmental Quality (CEQ). Notably, the bill also would repeal the Biden Administration's 'Water of the U.S.' (WOTUS) rule, limit the abuse of the Endangered Species Act (ESA) and protect domestic oil and natural gas production by requiring oil and gas lease sales.

"The Biden Administration has launched a whole-of-government assault on American oil and gas, choking the lifeblood of our economy, crushing consumers with high energy costs, and sending energy production overseas," said Texas Congressman Jodey Arrington (TX-19), who is chairman of the U.S. House Budget Committee. "This package lifts burdensome regulations on American energy producers, repeals Biden's disastrous WOTUS regulation, and promotes pro-energy policies that will restore American energy independence. The United States doesn't have the luxury of energy independence or food security without the hard-working, freedom-loving people in rural America."

Congressman Mike Simpson (ID-2), chairman of the House Interior-Environment Appropriations Subcommittee, also promoted H.R. 4821 for reducing out-of-control federal spending while prioritizing critical needs. "I am pleased to see the House pass my Interior and Environment Appropriations bill, and I thank my colleagues for their support of this fiscally responsible legislation," said Congressman Simpson. "As chairman of this subcommittee, I vowed to create a bill that reduces unnecessary federal spending while prioritizing the critical needs and essential functions within these agencies. This bill does just that by reining in the EPA, fighting the misguided Obama-era WOTUS rule, and barring an ESA listing of the greater sage grouse."

The funding package will next advance to the U.S. Senate for further consideration, though faces an uncertain future in the upper chamber as senior Democratic lawmakers have already dismissed the House bill as a waste of time. The White House also has vocalized opposition to H.R. 4821 and indicated the president would veto the appropriations bill in its current form.

President's message


Ed Longanecker

TIPRO members,

Following the state's constitutional amendment election earlier this week, Texas will create a new fund called the Texas Energy Fund that will provide billions of dollars towards the construction, maintenance, modernization and operation of more natural gas-fired power plants in the Lone Star State. On Election Day, voters passed Proposition 7, a measure approved by the legislature under Senate Joint Resolution 93 during the 88th Regular Legislative Session this past spring. This resolution, which TIPRO supported, will finance new dispatchable electric generating facilities as well as upgrades to existing facilities, strengthening the reliability of our electric grid and boosting the supply of electricity in Texas by encouraging more power generation. It is worth noting that wind and solar projects will not be eligible to receive money from the new Texas Energy Fund.

Voters in this year's election also showed strong support for the development of new water infrastructure by passing Proposition 6, the constitutional amendment that will create the Texas Water Fund to assist in financing water projects across our state. The new fund, which TIPRO also backed, is a new special account in the state treasury outside of the general revenue fund that will be endowed with $1 billion as previously authorized by the state legislature. Money from this fund will be administered by the Texas Water Development Board (TWDB) to support a wide range of projects including fixing Texas' aging, deteriorating pipes, paying for new water supply projects and acquiring more water sources, as well as helping to mitigate water loss. Of the $1 billion appropriated to the Texas Water Fund, the TWDB also must allocate at least $250 million to the New Water Supply for Texas Fund. This new fund is designed to implement innovative water supply strategies, such as marine and brackish water desalination, oil and gas produced water treatment projects and aquifer storage and recovery projects. Through this fund, the TWDB has been directed to finance projects that will lead to 7 million acre-feet of new water supplies by December 31, 2033. After the overwhelming passage of Proposition 6 in this week's election, the TWDB has said it plans to soon seek public input on implementing the Texas Water Fund legislation. TIPRO will monitor all relevant developments on this effort on behalf of our association's membership.

Additionally, through the November 7th constitutional amendment election, Texans also gave the green-light to extend the reach of broadband internet to the most remote parts of the state by approving Proposition 8. Like the propositions mentioned above, this also will allow a special account to be created outside the general revenue fund that will be administered by the Texas Comptroller of Public Accounts. The proposition allocates $1.5 billion to the new fund to cover the expansion of broadband internet access in economically distressed communities, administer grants through the Texas Broadband Development office and help match funds for the federal Broadband Equity, Access, and Deployment Program. With over 1.3 million Texas households – an estimated 2.1 million Texans – still without quality broadband service at home according to data from the U.S. Census, Proposition 8 will go a long way towards closing the digital divide in Texas and is expected to help support more economic growth, business activity and jobs. Unless extended by the legislature during a future legislative session, the new Broadband Infrastructure Fund will expire on September 1, 2035.

Texas has the fastest growing population of all states in the nation, and it's essential that our state continues to keep up with expanding infrastructure needs as well as water supply, electricity and broadband demands in order to maintain our status as the best state to work and live. Passage of Propositions 6, 7 and 8 will ensure that we are investing properly in our future and Texas will keep leading in economic growth. Regards,

Ed Longanecker

Hear from Diamondback's president and CFO at the November '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.

Seats are still available but hurry to register before the event sells out. To sign up to attend the November 28th 'Leaders in Industry' luncheon, please click here.

TIPRO CALENDAR OF EVENTS

NOVEMBER 15-16, 2023	NOVEMBER 28, 2023	JANUARY 16, 2024
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.	HOUSTON — TIPRO/IPAA/HPF "Leaders in Industry" Luncheon. For information, email info@houstonproducersforum.org.

RRC commissioner tells State Education Board to reject textbooks promoting "green energy" agenda

In a push to make sure Texas children are properly educated about the importance of fossil fuels, Texas Railroad Commissioner Wayne Christian recently submitted a letter to the Texas State Board of Education (SBOE) telling education leaders to keep common sense curriculums in Texas schools as officials look at new instructional materials and textbooks to furnish to Texas educators. Commissioner Christian specifically noted his concerns that materials approved for distribution in Texas schools in the future would adopt a radical environmentalist agenda promoting "green energy" and "net zero" lessons over teaching students realistic STEM skills needed for high-paying jobs in the energy industry.

"Texas students don't need to be brainwashed in class that oil and gas is evil, when our schools should be preparing them for the real world," said Commissioner Christian. "The Lone Star State needs a challenging, unbiased, and practical approach to educating our STEM students, preparing them for in-demand, high paying jobs in Texas' oil and gas industry. The last thing our state needs is a woke environmental agenda pushed by President Biden and former Vice President Al Gore teaching our kids to hate fossil fuels."

See the commissioner's full letter to the SBOE here.

Offshore oil and gas lease sale put on hold pending federal appeals court decision

In response to judicial orders and legal uncertainties, the U.S. Bureau of Ocean Energy Management (BOEM) is postponing its planned offshore oil and gas lease sale in the Gulf of Mexico, which had been originally scheduled for September 27 and was later scheduled to take place on November 8. The BOEM announced on November 2nd that the government cannot be certain of which areas or stipulations may be included in the sale notice for oil and gas Lease Sale 261 until further direction is given from the courts, and therefore, it will wait to proceed with the oil and gas lease sale mandated under the *Inflation Reduction Act (IRA)*.

The delay for Lease Sale 261 comes after the U.S. Court of Appeals for the Fifth Circuit issued an order on October 26th pushing the offshore lease auction until a final decision is made by the appellate court over legal disputes regarding plans for the next offshore oil and gas auction in the Gulf of Mexico. Oral arguments for the case have been scheduled at the Fifth Circuit for November 13th in New Orleans.

Legal challenges were filed in late August by the state of Louisiana, Chevron U.S.A. Inc., American Petroleum Institute (API) and Shell Offshore Inc. fighting terms of BOEM's Lease Sale 261, which initially removed six million acres from the lease auction and inserted a new lease stipulation restricting vessel activity in the lease area following an agreement made over the summer between the Biden Administration and environmental groups in a court fight over the Rice's whale. In response to legal petitions, the U.S. District Court for the Western District of Louisiana issued a preliminary injunction before the end of September restoring millions of acres initially excluded from the Gulf of Mexico Lease Sale 261, blocking the new restrictions related to the Rice's whale and mandating the lease sale proceed before September 30. However, a subsequent ruling by the United States Court of Appeals for the Fifth Circuit on September 25, 2023, allowed the BOEM to postpone oil and gas Lease Sale 261 until early November to provide additional time for a more orderly lease sale process. Still, despite the delay, the BOEM agreed it would conduct the lease sale on November 8, 2023, and pursuant to direction from the court, would offer approximately 13,618 blocks on 72.7 million acres on the U.S. Outer Continental Shelf in the Western, Central, and Eastern Planning Areas in the Gulf of Mexico and also remove portions of a related stipulation meant to address potential impacts to Rice's whales from the lease terms for the leases that may be issued as a result of Lease Sale 261. On October 26, in the latest ruling by the U.S. Court of Appeals for the Fifth Circuit, the district court's preliminary injunction against the Lease Sale 261 changes were stayed, prompting the BOEM to elect to hold Lease Sale 261 at a later date after further direction is provided by the courts.

The top leader of the U.S. Senate Committee on Energy and Natural Resources, Chairman Joe Manchin (D-West Virginia), blamed the Biden Administration for "making a complete mess" of Lease Sale 261 and said that the latest delay of the offshore lease sale was entirely the administration's fault. At a public hearing last week for the Energy and Natural Resources Committee, Manchin expressed frustration that there would be another delay, especially when the BOEM director a week prior had testified before his committee promising that "all systems are go" to hold the lease sale on November 8. "BOEM is once again blaming the courts for delaying the sale, but the delays are entirely the administration's fault," the chairman said. "The Department of the Interior was so eager to meet the demands of environmental groups to restrict the sale that it bypassed important legal requirements leading to this litigation." Chairman Manchin also pointed to the "clear directions" that had been provided from Congress under the *Inflation Reduction Act (IRA)*, signed into law in 2022, requiring the offshore oil and gas lease sale take place no later than September 8, 2023. "Shrinking or further delaying Lease Sale 261 threatens both our energy security and climate goals and could make us more dependent on dirty foreign oil and gas —especially since the IRA prohibits BOEM from continuing offshore wind leases if oil and gas leases are not proceeding."

Industry groups also criticized the offshore sale postponement as one of many blockades from the Biden Administration to developing oil and natural gas offshore. In September, the U.S. Department of Interior released its final proposal for the 2024–2029 National Outer Continental Shelf Oil and Gas Leasing Program (National OCS Program), which includes the fewest offshore oil and gas lease sales in history. Under current administration plans, Lease Sale 261 is the only offshore sale scheduled to take place until 2025. This, combined with additional restrictions to offshore oil and gas development and zealous proposals to expand the critical habitat of the Rice's whale that would further limit energy activity in the Gulf, are placing U.S. energy security in a more vulnerable position, putting American jobs at risk, and jeopardizing the strength of the Gulf Coast economy, industry trade associations argue.

As information becomes available on Lease Sale 261, it will be posted on the BOEM website at: www.boem.gov/sale-261.

NOAA Fisheries denies petition that would have imposed limits in Rice's whale habitat in the Gulf

During the last week of October, the National Oceanic and Atmospheric Administration (NOAA) Fisheries denied a petition from several environmental organizations requesting the government establish and implement a mandatory 10-knot speed limit and other vessel-related mitigation measures to protect Rice's whales in the Gulf of Mexico. The agency concluded that other actions, including conservation tasks, drafting a species recovery plan and conducting a quantitative vessel risk assessment, should be prioritized before NOAA Fisheries would consider imposing additional regulations related to the Rice's whale.


Photo Credit: NOAA Fisheries

The petition denial means NOAA Fisheries will not proceed with a rulemaking to develop vessel speed restrictions or other vessel-related regulations for Rice's whales at this time.

In the meantime, NOAA Fisheries is still considering its critical habitat designation proposal for Rice's whales in the Gulf of Mexico. NOAA Fisheries' rule proposal calls for more than 28,270 square miles of the Gulf of Mexico, an area larger than the state of West Virginia, to be designated as a critical habitat for the Rice's whale. As TIPRO has earlier reported to members, the proposed rule designating critical habitat for the whale threatens to jeopardize domestic energy production, national security and other important interests, officials and industry representatives have forewarned. U.S. Senators Ted Cruz (R-TX), Joe Manchin (D-WV), Bill Cassidy, M.D. (R-LA) and 13 other legislators last month called on the administration to withdraw its proposed rule, arguing that the rule as written lacks sufficient evidence, relies on an incomplete study and vastly underestimates the economic and national security impacts of such a designation. Congressional members insisted that if the service must move forward with its critical habitat designation, then that proposed rule has to comply with the Endangered Species Act (ESA), be based on the best available science, designate a reduced critical habitat area within the total occupied area, and contain proper analysis of the economic costs and national security implications.

TIPRO submits comments on draft RRC rules for §3.8 and Chapter 4, Subchapters A and B

Last week, TIPRO provided oral and written comments to the Railroad Commission of Texas regarding the draft amendments to 16 Texas Administrative Code (TAC) §3.8 (also known as Statewide Rule 8) and 16 TAC Chapter 4, Subchapter A, relating to Oil and Gas Waste Management, and Subchapter B, relating to Commercial Recycling. As communicated previously by TIPRO, the proposed changes being considered to this state regulation include extensive new requirements for authorized pits, including construction, monitoring and closure standards, as well as requirements for waste haulers, commercial disposal and commercial recycling operations. The proposal also provides for a new waste manifest and profile, which will be part of an online data tracking system to be deployed by the Railroad Commission as part of their ongoing mainframe update to streamline reporting requirements and data management.

Ahead of a November 3rd deadline for informal comments, TIPRO submitted feedback on the regulatory proposal to the Railroad Commission. TIPRO staff also offered verbal comments during an in-person informal hearing held at the agency last week, outlining the association's collective concerns and recommendations regarding new rules being developed on oil and gas waste management.

The timing for review and posting of the rule by the commission remains uncertain at this juncture. In the interim, TIPRO will continue to communicate with the commission on behalf of our members to address important issues with the rule proposal.

TIPRO would also like to thank all members that have provided input on this important rulemaking to the commission thus far. If you have any questions, please don't hesitate to contact TIPRO's President Ed Longanecker by emailing elonganecker@tipro.org, or TIPRO's Director of State Legislative and Regulatory Affairs, Ryan Paylor, at rpaylor@tipro.org.

Judicial reform legislation seeks to reduce activists' ability to file frivolous lawsuits delaying permitting

A new bill filed in the U.S. Senate on October 31st by U.S. Senator Bill Cassidy, M.D. (R-LA), member of the U.S. Senate Energy and Natural Resources Committee, would address unnecessary roadblocks slowing critical infrastructure development caused by frivolous lawsuits brought on by fringe groups looking to tie up permits and delay projects. The *Revising and Enhancing Project Authorizations Impacted by Review (REPAIR) Act* will help to streamline the permitting process for U.S. energy, manufacturing and critical infrastructure projects by enacting litigation and judicial reform measures to stop serial litigants from abusing the court system to tie up new projects. Under the *REPAIR Act*, individuals filing suit against an approved authorization or permit for a project would have to file suit within 30 days and also must be directly impacted by the project. Further, the focus of any lawsuit against a project must be on direct and tangible harms not considered in the initial authorization process.

"It's impossible to permit energy and manufacturing in the U.S. Well-funded radical groups are hijacking the justice system to send critical infrastructure projects they don't like into legal purgatory," said Dr. Cassidy. "Commonsense judicial reform removes unnecessary roadblocks while preserving the right to challenge projects. Doing so provides certainty and shortens permitting timelines."

"Progress in American manufacturing and energy production means limiting the time and resources wasted on battling frivolous lawsuits during the permitting and review process for new projects. The *REPAIR Act* removes impediments to new development and fosters a more secure supply chain as America strives for stronger energy and technology independence," added Senator Mike Crapo (R-ID), another one of the act's cosponsors.

TIPRO members may read the bill here.

Bicameral coalition of federal lawmakers call on PHMSA to reverse rules suspending LNG by rail

In the final days of October, U.S. Senate Commerce Committee Ranking Member Ted Cruz (R-Texas) and U.S. House Transportation and Infrastructure Committee Chairman Sam Graves (R-Missouri) led a bicameral coalition of 23 federal lawmakers calling on the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) to reverse its suspension of rules that allowed liquefied natural gas (LNG) transport by rail. In a letter sent on October 25th to PHMSA Deputy Administrator Tristan Brown, the lawmakers from both chambers of Congress raised concerns about PHMSA's final rule issued at the beginning of September that suspended the authorization to transport LNG by rail tank car and told PHMSA's leader that the agency must continue to focus on safety, including evidence demonstrating that LNG can move more safely by rail than by highway.

The coalition wrote, "...When issuing the LNG by rail rule in 2020, PHMSA leveraged the experience of safely moving many flammable commodities by rail and moving LNG by other modes. Shippers have safely offered, and carriers have safely transported, other flammable cryogenic liquids in similar tank cars for years without fatalities or serious injuries…"

"… From a safety perspective, it is absurd to remove these rail tank cars as an approved alternative to shipments of LNG by truck. As PHMSA's own data shows, movement of hazardous materials by highway is inherently less safe for the public…"

As they point out in the letter, legislators note the U.S. has led the world in reducing carbon emissions, in large part because of clean natural gas. LNG by rail would boost efforts to provide affordable and environmentally responsible energy, described legislators. "PHMSA's suspension of the LNG by rail rule is part of a larger attack on domestic fossil fuel production that willfully ignores the attendant harms to consumers and national security. This effort comes from the highest level of the administration, as President Biden specifically targeted PHMSA's LNG by rail rule through an alarmist, anti-fossil fuel executive order purporting 'to Tackle the Climate Crisis.'"

"After President Biden explicitly targeted the LNG by rail rule, PHMSA issued a proposal to suspend the LNG by rail rule later that year... Under this cloud of regulatory uncertainty, no one has committed to moving LNG by rail, which would include the major capital expense of a fleet of robust LNG tank cars. PHMSA ignores this context, noting only the 'considerable uncertainty regarding whether any would occur in the time it takes for PHMSA to consider potential modifications to the existing, pertinent HMR requirements,' failing to recognize that this 'considerable uncertainty' was created by the agency itself. Having suspended the LNG by rail rule and taken other actions targeting LNG, the Biden Administration cannot now claim a lack of interest in transporting LNG by rail to justify its actions…"

"…PHMSA uses the lack of recent LNG by rail investment to justify the suspension without recognizing that this lull has given PHMSA ample opportunity to evaluate the relevant safety requirements. And yet, PHMSA has made no progress on the companion safety rulemaking…"

"…PHMSA declares that the suspension 'avoid[s] potential risks to public health and safety or environmental consequences (to include direct and indirect greenhouse gas (GHG) emissions).' In reality, the United States has led the world in reducing carbon emissions since peaking in 2007, largely because of America's development and use of affordable and clean natural gas. Greater transportation of LNG by rail would give Americans an affordable and environmentally responsible option to meet their energy needs. Suspension of the LNG by rail rule is mere virtue signaling, not progress in reducing emissions."

The letter concludes, "The safe movement of LNG by rail would benefit the economy and national security. Given the importance of access to energy, PHMSA must reconsider its extremism towards LNG by rail. We look forward to your response committing to reverse the suspension of the LNG by rail rule." Read the full letter here.

As TIPRO earlier reported to members, PHMSA said this past September it would no longer allow LNG transport in rail tank cars until June 30, 2025—or until new regulations can be created modifying the requirements for transport of LNG by rail—whichever comes first. The action reversed rules that had been set by the Trump Administration in 2020 permitting LNG to be transported by rail across the nation. The final rule on the temporary suspension went into effect on October 31, 2023.

Prominent Senate democrat urges the EPA to revise proposed methane rules targeting U.S. oil & gas

As the U.S. Environmental Protection Agency (EPA) works to develop new emissions regulations for oil and gas companies, the chairman of the U.S. Senate Energy and Natural Resources Committee, Joe Manchin (D-West Virginia), recently expressed concerns over the agency's rules expanding methane regulations on oil and gas facilities, as well as other proposed changes from the EPA that would modify the Greenhouse Gas Reporting Program (GHGRP).

"The current administration has made its intentions clear: it is determined to target our flourishing oil and gas sector, despite its substantial progress in reducing methane emissions, irrespective of how it might impact American energy security, reliability, and consumer cost. This has put pressure on EPA to hastily finalize and implement these extensive new regulations, leading to proposals that lack thorough consideration and alignment. This lack of alignment unjustly burdens industry while simultaneously hindering EPA's ability to achieve its own stated emissions reduction objectives," Chairman Manchin said in part in a letter to EPA Administrator Michael Regan. "Because EPA is so singularly focused on its anti-fossil agenda, it has missed an opportunity to craft calibrated proposals that achieve emissions reductions while ensuring that the domestic oil and natural gas industry can continue to provide affordable and dependable energy to meet global market demands. While the federal government has a role in responsibly regulating methane emissions, a failure to harmonize these rules before they are finalized will have severe consequences for the nation and our strategic partners, putting our energy and national security at risk."

In his letter to Administrator Regan, the congressman said the EPAshould revise its approach to its forthcoming rulemaking, making sure that new regulatory standards also align with the objectives and requirements of the *Inflation Reduction Act (IRA)*. The full letter sent by Chairman Manchin can be viewed here.

It is rumored that the EPA will issue its final emissions rule for the oil and gas industry later this year. In late September, *Politico* reported that the EPA had submitted its new regulatory package to the White House Office of Management and Budget for final review and approval and the regulations could be published by the end of November.

Senate Democrats demand federal regulators investigate recent multi-billion dollar industry acquisitions

U.S. Senate Majority Leader Chuck Schumer (D-New York) along with 22 Senate Democrats, last week called for the U.S. Federal Trade Commission (FTC) to look into megadeals announced in October by ExxonMobil and Chevron for any possible anti-competitive harms. In a letter sent on November 1st to FTC Chair Lina Khan, the group of lawmakers suggested the industry was already "too concentrated" and consolidation was harmful, particularly such large blockbuster deals including Exxon's purchase of Pioneer Natural Resources for $60 billion and Chevron's $53 billion acquisition of Hess Corporation.

"By allowing Exxon and Chevron to further integrate their extensive operations into important oil-and-gas fields, these deals are likely to harm competition, risking increased consumer prices and reduced output throughout the United States," the senators told Chairman Khan in their letter. "At the regional level, the deals threaten to harm small operators and suppress wages. The FTC must carefully consider all of the possible anticompetitive harms that these acquisitions present. Should the FTC determine that these mergers would violate antitrust law, we urge you to oppose them."

Full text of the letter is available here.

Experts have advised it is unlikely the oil and gas transactions by ExxonMobil and Chevron would not be allowed by the FTC to be completed, though the deals may face a long antitrust review by the government, based upon past mergers and acquisitions of this size.

Senators Cruz, Cornyn and others introduce legislative resolution opposing carbon tax

In early November, a group of 15 GOP senators introduced a congressional resolution opposing a carbon tax in the United States. The legislation, expressing the sense of Congress that a carbon tax would be detrimental to the economy of the United States, also acknowledges that such a policy would discourage energy production as well as manufacturing in the United States and would drive jobs and businesses overseas, despite the United States' standing as a global leader in relation to environmental performance. The resolution also forewarns that the United States' most pressing strategic rival, China, stands to benefit the most from the United States choosing to undercut domestic industry through a carbon tax, even though China is one of the world's largest polluter and accounts for approximately 30 percent of global carbon dioxide emissions.

Supporters of the resolution opposing a carbon tax include Senators Ted Cruz (R-Texas), John Cornyn (R-Texas), Bill Cassidy (R-Louisiana), Kevin Cramer (R-North Dakota.), Mike Lee (R-Utah), Jim Risch (R-Idaho), Pete Ricketts (R-Nebraska), Roger Marshall (R-Kansas), John Barrasso (R-Wyoming), John Hoeven (R-North Dakota), Cynthia Lummis (R-Wyoming), Mike Rounds (R-South Dakota), Ted Budd (R-North Carolina), James Lankford (R-Oklahoma) and Cindy Hyde-Smith (R-Mississippi).

"A carbon tax would seriously harm hardworking Texans and Americans. Such a tax would discourage domestic manufacturing and energy production, lead to job outsourcing, and hit working-class families particularly hard," Senator Cruz said in a statement. "It is imperative that Texans continue to have access to affordable energy, and that's not possible if we implement a carbon tax alongside the radical climate agenda of the Biden Administration."

TIPRO members may review the resolution here.

Laura Daniel-Davis named acting deputy secretary at the U.S. Department of the Interior

Photo courtesy of the Interior Department

President Joe Biden last week designated Laura Daniel-Davis as acting deputy secretary of the U.S. Department of Interior, effective immediately. Daniel-Davis most recently was principal deputy assistant secretary of land and minerals management at the Interior Department. She has more than 14 years of working at the Department of the Interior across multiple administrations, as well as holds additional experience working in the public and non-profit sectors.

"There are few people who have been by my side more over the past two and a half years than Laura, and I am so grateful that she has agreed to step into this role as we work together to implement President Biden's ambitious and historic agenda," said Interior Secretary Deb Haaland of Daniel-Davis' appointment.

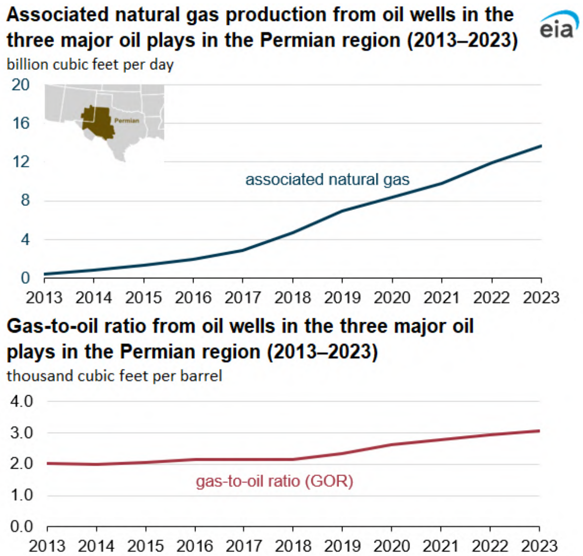
The appointment of Daniel-Davis to the No. 2 spot at the Interior Department, however, has been met with deep criticism by Republican lawmakers, who have pointed to her failed confirmation in the Senate for a separate position at the Interior due to her controversial climate change views and part in partisan politics that sought to decrease fossil energy production at the expense of U.S. energy security.

"Laura Daniel-Davis is doing everything in her power to make American energy more expensive. During her tenure as principal deputy assistant secretary for land and minerals management, she has undermined our nation's energy and mineral security. She has continually blocked access to important minerals and restricted oil and gas leasing on federal lands. She is totally opposed to unleashing American energy," U.S. Senator John Barrasso (R-Wyoming), ranking member of the U.S. Senate Energy and Natural Resources Committee, said in a statement. "This extreme agenda is the reason that the Energy and Natural Resources Committee twice refused to confirm her nomination. Promoting her to an even more influential position only shows the Biden Administration's blind devotion to a radical, anti-American energy agenda."

Other legislators, like U.S. Senator Lisa Murkowski (R-Alaksa), have described Daniel-Davis as being hostile towards oil and gas.

Meanwhile, Democrats in Congress have applauded Daniel-Davis' appointment as Interior's acting deputy secretary. "The department needs strong, trusted leadership to meet this charge, and there's no question that Ms. Daniel-Davis is the person for the job," House Natural Resources Committee Ranking Member Raúl M. Grijalva (D-Arizona) commented. "She has proven to be a steadfast champion for our public lands, waters, and wildlife, an experienced and dedicated public servant, and a leader in the fight for equitable and just climate action."

EIA: Associated natural gas production nearly triples in the top three Permian oil plays in past five years



Data source: U.S. Energy Information Administration, Enverus DrillingInfo

Associated natural gas produced from the three top producing tight oil plays in the Permian — the Wolfcamp, Spraberry, and Bone Spring formations — has nearly tripled since 2018, the U.S. Energy Information Administration (EIA) recently reported. Production of associated gas, which is natural gas produced from oil wells, across the three plays has surged from an annual average of 4.7 billion cubic feet per day (Bcf/d) in 2018 to 13.7 Bcf/d in the first seven months of 2023, said the EIA, primarily as a result of rising crude oil production in the Permian region. Average annual crude oil production in the Permian has grown from 1.3 million barrels per day (b/d) in 2018 to 4.1 million b/d in 2022, which in turn has contributed to greater volumes of associated natural gas output.

The EIA also attributed growth in associated natural gas production to a higher gas-to-oil ratio (GOR) among the oil wells in the Wolfcamp, Spraberry and Bone Spring plays. According to the EIA, over the past decade, the combined GOR of these three plays has increased from 2.0 thousand cubic feet of natural gas per barrel of oil (Mcf/b) produced in 2013 to 3.1 Mcf/b in the first seven months of 2023. The GOR of an oil well traditionally goes up over time, as pressure changes within a reservoir and more natural gas is able to be released from a geologic formation, explained the EIA. "As more oil and natural gas is released within a well, the GOR tends to progressively increase, increasing the volume of associated natural gas produced per every barrel of oil."

Energy Department announces new round of oil purchases to replenish SPR

The U.S. government is planning to buy an additional 3 million barrels of oil to add to the Strategic Petroleum Reserve (SPR) in January, officials from the U.S. Department of Energy announced on Monday, November 6. The effort to purchase the crude oil to put in America's emergency reserves follows an earlier announcement made last month that the Energy Department was also seeking to buy up to 6 million barrels of crude oil for delivery in December and January. The Energy Department says it will continue to post monthly solicitations to purchase oil for the SPR through at least May 2024.

The Biden Administration has emphasized it intends to buy oil for the SPR "at a good deal for taxpayers," which it says equates to a price of $79 dollars per barrel or below, far less than the average of about $95 per barrel the department received for 2022 emergency SPR sales.

Nat G provides fleets a practical "hybrid" dual fuel solution for heavy-duty vehicles

Nat G QVM QUALIFIED VEHICLE MODIFIER HEXAGON AGILITY Authorized service provider TIPRO

Now that the reality is finally emerging that an 'all battery' solution is not practical for most medium- and heavy-duty vehicle fleet needs, Nat G is offering fleets a solution to the problem that mirrors the situation that the Fords, GMs and Toyota's of the auto industry are now addressing. They have publicly recognized that for many people, EV vehicles are too expensive to buy and too challenging to cost effectively charge. Light-duty EV inventories are building up and production schedules cut back. The light-duty solution? Hybrids! Why not a dual fuel hybrid for bigger vehicles? Heavy-duty hybrid dual fuel blends natural gas with diesel, offering the same benefits as a light-duty hybrid – extended range and lowered fuel costs. Instead of foreign interest produced batteries, it's a hybrid using our own USA natural gas resource.

Nat G has partnered with leading alternative fuel system makers to provide fleets with a way to significantly reduce diesel fuel consumption and lower total operating costs per mile by adding natural gas as a dual fuel. This is Nat G's version of a heavy-duty hybrid that offers similar benefits as today's hybrid cars. With 30-50 percent diesel displacement by natural gas, the fuel savings really add up. With increasing availability, renewable natural gas (RNG) lowers the carbon intensity (CI) even more compared to CNG or diesel.

Dual fuel diesel/natural gas systems have been around for quite a while, but today's systems are far more "intelligent" than in the past. With the increased use of computer controls on all vehicles, Dual fuel systems now operate with sophisticated software algorithms to both optimize performance and protect the engine by monitoring key vehicle sensor data.

Now that Cummins has launched production of its much-anticipated 15L natural gas engine, more and more fleets will be buying and deploying natural gas medium and heavy-duty vehicles but it will be years (decades?) before today's millions of diesel-powered vehicles can be replaced. What to do until that time comes? Nat G would be pleased to offer an assessment of how all those existing, durable, cost-effective diesel-powered vehicles can continue to stay in service and do so more cost effectively than running on diesel only.

To learn more, contact Dudley Westlake, vice president of Nat G CNG Solutions, by emailing dudley.westlake@nat-G.com or calling (888) 925-6284.

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