

Texas
Independent
Producers and
Royalty Owners
Association

### OPEC+ jolts oil markets after agreeing to deep production cuts

Members of OPEC (Organization of the Petroleum Exporting Countries) and allies the first week of October agreed to impose substantial production cuts lowering the group's total oil output by 2 million barrels per day starting in November. The decision, announced on Wednesday, October 5, comes less than three months after U.S. President Joe Biden visited Saudi Arabia and encouraged OPEC countries to increase production levels.

President Biden last week was "disappointed" by the decision from OPEC+ to reduce production quotas and slash the cartel's total oil output, according to a White House statement from National Security Advisor Jake

Sullivan and National Economic Council Director Brian Deese. The senior advisors to the president also warned that OPEC's decision on production cuts would have the "most negative impact on lower- and middle-income countries that were already reeling from elevated energy prices."

The White House said it is weighing options to respond to OPEC's cuts in oil production amid ongoing turbulence in global energy markets. Administration officials signaled last week they would consult with Congress on additional tools and authorities to reduce OPEC's control over energy prices. The U.S. Energy Department also since the Spring has continued to release crude oil supplies from the Strategic Petroleum Reserve to deliver to oil to markets and in November will withdraw an additional 10 million barrels of oil.

Meanwhile, elected officials, along with representatives of the oil and natural gas industry, emphasized how the move by OPEC reinforces the importance of energy development and production in the United States. Domestic production should be prioritized to lessen the nation's dependence on foreign regimes for oil, they stressed.

"OPEC's oil output cuts make clear once again why it is so important for the U.S. to encourage domestic oil and gas production and to continue exporting our resources into the global market. Without Texas oil, the impact of OPEC's cuts would be far greater on prices, U.S. consumers and the current energy crisis facing our allies abroad," commented TIPRO President Ed Longanecker. "This year, President Biden implored OPEC to increase production numerous times, while concurrently undercutting domestic production with policies that hinder oil and gas development. It has become painfully evident that we must develop coherent policy to support growing energy demand. Policymakers and this administration must work with the U.S. oil and natural gas industry to support investments in energy infrastructure and domestic production so we are no longer reliant on OPEC and hostile regimes that use energy as a political weapon."

It's time to put Texas energy before OPEC and boost American production, Texas Congressman August Pfluger (R-TX11) also affirmed. In a statement, the federal legislator said last week, "Energy is fundamental for our society. President Biden's crowning policy achievement will be making America more dependent on foreign countries for our energy needs in order to appease Green interest groups. We must refocus on restoring American energy independence. The first step should be ending government-made barriers to oil and gas investment and rolling back regulatory burdens put forth by the Environmental Protection Agency (EPA)."

Texas Railroad Commission Chairman Wayne Christian also emphasized the need for the country to harness the potential of the Permian Basin to improve the country's energy security, rather than relying on OPEC and other foreign producers.

Reduced production from OPEC+ will lower market supply and is expected to lead to higher energy prices. Already, following the oil cartel's decision last week to decrease crude oil output, oil prices were lifted 4 percent to a five-week high on Friday, October 7. Some economists have projected that oil prices will again return to \$100 per barrel as supplies are squeezed in an already tight market.

#### Since April, Texas producers have each month been paying \$1 billion+ in state production taxes

For the last six months, Texas oil and natural gas producers have paid over \$1 billion each month to the state government in production taxes. The latest figures released by the state comptroller's office show that in September, Texas collected more than \$552 million from the state's oil production tax, up 41 percent from September 2021. The state also generated \$480 million in September from the natural gas production tax, which was 91 percent higher than amounts brought in from the tax a year ago.

State tax receipts remitted by the oil and gas sector this Fall have decreased slightly from highs recorded during the Summer, which surpassed record levels, though remain strong today. In July, the state oil production tax brought in \$694 million, the highest monthly collections on record, and the same month, the natural gas production tax topped \$530 million, also the highest monthly collections on record.

The tax revenue provided from the oil and gas industry helps fund public schools in Texas, roads, first responders and other essential services. The state's Economic Stabilization Fund (commonly referred to as the Rainy Day Fund) and State Highway Fund, supported by funding from oil and natural gas severance taxes have also benefited from higher tax collections in recent months from the energy industry, with each account soon gaining \$3.64 billion, up from the \$1.46 billion deposited in each fund in November 2021.

#### Chairman's message

TIPRO members.

I bought into natural gas as a symbol of American prosperity and security early in my career at Chesapeake Energy. Aubrey McClendon, the company's leader at the time, artfully told the important story that the most abundant, clean-burning fuel was beneath our feet. To that end, I spent the first several years of my career mapping and exploring the Delaware Basin, in search of gas reserves locked away in nano pore spaces. The industry's ability to extract gas out of these incredibly small spaces has come a long way in the almost 20 years since I drilled my first wells in Reeves County, but we still have much work to do. There are decades of natural gas reserves left to produce within Texas.

Natural gas production in Texas has nearly doubled in the past 20 years. Texas is the third largest producer of natural gas globally and processes almost 40 percent of all gas produced in the United States. The economic and social benefits of the natural gas growth story are significant. Last year, over one-and-a-half billion dollars were paid by the natural gas industry in taxes and royalties to state funds. These dollars were largely deposited into the Permanent School Fund and Permanent University Fund which support Texas public education. Often forgotten, the positive environmental impacts of coal to natural



Jud Walker

gas switching have been significant as well. In 20 years, we have reduced carbon dioxide emissions roughly 25 percent by enhancing our infrastructure and utilizing more natural gas in lieu of coal. This is easily the most impactful ongoing environmental industrial scale "green" project in the world.

Despite all of these positives, we must constantly and consistently relay the benefits of natural gas production. I am excited to think about the next 20 years as we move more gas molecules from "in-place" to "technically recoverable" and ultimately "economically recoverable." To do so will require a complex blend of technical competence, strong balance sheets, access to capital, fair regulations and pragmatic leadership. We've done it before, and we will be asked to do it again.

As leaders and innovators in this industry, let's set the stage so we can deliver the only reliable, abundant, affordable, homegrown fuel available.

TIPRO is here to keep you educated on evolving and changing regulations and policies. We welcome your input and feedback as we ensure that our industry is well-equipped to meet the challenges of today and tomorrow. Thank you for your support and membership.

Regards, Jud Walker

#### Join TIPRO for this month's 'Leaders in Industry' luncheon in Houston!

TIPRO members are invited to participate in the October 'Leaders in Industry' luncheon, taking place at the Petroleum Club of Houston on Tuesday, October 18. The event, hosted by the Texas Independent Producers and Royalty Owners Association (TIPRO),



Independent Petroleum Association of America (IPAA) and Houston Producers Forum, brings together industry executives and energy professionals each month to examine market trends, review industry challenges and opportunities and allow guests to network with other decision makers.

Speaking at this month's luncheon will be Michael Minarovic, CEO and co-founder of Arena Energy. Since its start-up in 1999, the company has invested nearly \$4 billion of capital in the federal waters of the Gulf of Mexico and has been the most active driller in the basin for the past five years. Minarovic is also the co-founder of White Fleet Drilling, a drilling contractor that owns and operates three large jack-up drilling rigs operating in the Gulf of Mexico, and is the founder of Rosefield Pipeline, a midstream company that owns and operates over 200 miles of oil and gas pipelines in the Gulf of Mexico. Previously, Minarovic served as a petroleum engineer with Newfield Exploration from 1993 to 1999 and Conoco, Inc. from 1988 to 1993. Minarovic is currently an executive director of the United States Oil and Gas Association, a member of the John Cooper School Board of Trustees, and an active

member of the Society of Petroleum Engineers.

To register for the upcoming 'Leaders in Industry' luncheon, please visit <a href="https://bit.ly/3Bx0dm3">https://bit.ly/3Bx0dm3</a>.

TIPRO members are also encouraged to reserve your seat for the final 'Leaders in Industry' luncheon of the year, happening on Tuesday, November 15, 2022. The November event will feature remarks from Timothy Dunn, chief executive officer of CrownQuest Operating. To sign up to attend the November luncheon, go to <a href="https://bit.ly/3fZrh6p">https://bit.ly/3fZrh6p</a>.

#### **TIPRO CALENDAR OF EVENTS**

OCTOBER 18, 2022
HOUSTON — TIPRO/IPAA/HPF
"Leaders in Industry" Luncheon.
For information, email
info@houstonproducersforum.org.

NOVEMBER 15, 2022

HOUSTON — TIPRO/IPAA/HPF

"Leaders in Industry" Luncheon.

For information, email
info@houstonproducersforum.org.

JANUARY 17, 2023

HOUSTON — TIPRO/IPAA/HPF

"Leaders in Industry" Luncheon.
For information, email
info@houstonproducersforum.org.

Page 3 October 13, 2022 THE TIPRO TARGET

#### House Energy Resources Committee meets in Midland for legislative hearing



Members of the Texas House Energy Resources Committee traveled to the Permian Basin in West Texas earlier this month to hold a public hearing on key energy issues impacting the state. Lawmakers held the field hearing in Midland on Tuesday, October 4th to hear invited and public testimony on interim legislative charges that are listed below:

- Monitor the agencies and programs under the committee's jurisdiction and oversee the implementation of relevant legislation passed by the 87<sup>th</sup> Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure the intended legislative outcome of all legislation, including the following:
- House Bill 1520, relating to extraordinary costs incurred by gas utilities relating to Winter Storm Uri and the authority to issue bonds and impose fees and assessments;
- House Bill 3648, which requires the designation of certain natural gas facilities as critical customers or critical gas suppliers during energy emergencies; and
- Senate Bill 3, relating to preparing for, preventing, and responding to weather emergencies and power outages. (Joint charge with Committee on State Affairs)
- Assess efforts made by the Railroad Commission and the Texas Energy Reliability Council to weatherize infrastructure and ensure reliability of the natural gas delivery system during times of disaster.
- Examine ways to increase the production of oil and gas within the state. Review state and local regulations that could directly impact the exploration or production of oil and gas and make recommendations for increasing Texas' energy independence.
- Explore options for expanding the state's underground natural gas storage capacity, including using excess storage capacity for carbon capture opportunities and the creation of a strategic natural gas reserve for the state.
- Evaluate innovative and emerging energy sources. Identify and make recommendations to address legislative or regulatory obstacles to the use, development, and deployment of viable innovative and emerging energy sources.

TIPRO leadership was in attendance of the legislative hearing in Midland. Following the recent public hearing, in the coming weeks, the House Energy Resources Committee is expected to finalize its interim report with legislative recommendations for the 88th Texas Legislative Session.

The day before the panel's public hearing, lawmakers sitting on the committee also took part in a rig tour hosted by Fasken Oil and Gas, a member of the TIPRO.

#### Texas governor adds new ERCOT CEO to Texas Energy Reliability Council

Greg Abbott, the governor of Texas, announced in early October that Pablo Vegas has been appointed to serve on the Texas Energy Reliability Council for a term that will expire at the pleasure of the governor. Vegas is the new president and CEO of the Electric Reliability Council of Texas (ERCOT).

Vegas, who took over as head of ERCOT effective October 1, 2022, recently joined former interim ERCOT President and CEO Brad Jones as well as Public Utilities Commission (PUC) Chairman Peter Lake for a meeting with Governor Abbott in September to discuss the ongoing implementation of reforms to ensure continued reliability and stability of the state's power grid. During the meeting, the governor reviewed the Texas electric grid's position heading into the Fall season and discussed ways that reforms put in place by the state of Texas continue to make the grid stronger, more reliable and resilient.

"The state of Texas continues to monitor the reliability of our electric grid, and I thank ERCOT and PUC for their hard work to implement bipartisan reforms we passed last year and for their proactive leadership to ensure our grid is stronger than ever before," said Governor Abbott following the briefing. "The beginning of this Fall season also marks a new season for ERCOT as we welcome its new CEO, Pablo Vegas. Pablo will be joining ERCOT with an exceptional background in the energy industry, and I look forward to working with him as we continue to build upon the exemplary job that Brad Jones has done as Interim CEO."

#### Early voting for midterm election starts October 24th

With this year's General Election approaching, Texans are reminded that early voting for the November 8<sup>th</sup> midterm election will begin on Monday, October 24. During the early voting period, eligible voters may cast a ballot at any location in their county of registration. To find information on local polling locations, please go to <u>votetexas.gov</u>.

Under state law, Texas voters must present one of the seven approved forms of photo ID at the polls. Acceptable forms of identification include a Texas Driver License issued by the Texas Department of Public Safety (DPS), a U.S. passport or a Texas Handgun License issued by DPS.

The in-person early voting period will end on Friday, November 4, and Election Day is on Tuesday, November 8.

TIPRO members are encouraged to take time to participate in the elections and cast your vote. The Texas midterm elections will have a decisive influence on the political environment in the state, as voters select officials to lead top state offices and agencies. Races ranging from governor to Texas Railroad Commissioner and several contentious battles for congressional seats all will be put before voters on this year's ballot. To see a preview of what is appearing on the ballot, see the Secretary of State's website at: <a href="https://bit.ly/3rYEAgh">https://bit.ly/3rYEAgh</a>.

Page 4 October 13, 2022 THE TIPRO TARGET

#### Interior Department releases new details for oil and gas leasing, in compliance with IRA law

The first week of October, the U.S. Department of Interior announced next steps that the Bureau of Ocean Energy Management (BOEM) and Bureau of Land Management (BLM) will take to comply with congressional direction on oil and gas leasing provided under the *Inflation Reduction Act* (IRA). The IRA, signed into law this past August by President Joe Biden, included provisions relating to the BLM's oil and gas leasing program, including increasing the minimum royalty rate, minimum bid, and rental rates; assessing a fee for the filing of Expressions of Interest (EOIs); and eliminating non-competitive leasing. As such, the BLM said on October 6th it will begin scoping for the next onshore oil and gas lease sales in New Mexico and Wyoming, under a strategy that includes onshore lease sales consistent with the terms of the law.

The BLM's New Mexico office has posted for public comment a review of 45 parcels totaling 10,123 acres and the BLM's Wyoming office is making available for public comment a review of 209 parcels totaling 251,087 acres. Scoping notices from other states to evaluate additional potential sale parcels will be posted in the coming weeks. Those sales will implement the new fiscal terms as outlined in the IRA, noted Interior officials.

In addition, the BOEM has prepared a *Draft Supplemental Environmental Impact Statement* (EIS) for two Gulf of Mexico oil and gas lease sales – Lease Sales 259 and 261. Congress directed that Lease Sale 259 be held by March 31, 2023, and Lease Sale 261 by September 30, 2023. Public comments are being accepted by the BOEM regarding the *Draft Supplemental EIS*, which is supporting Lease Sales 259 and 261. The 45-day comment period began on October 7, 2022, and ends on November 21, 2022. Comments may be submitted by visiting <a href="www.regulations.gov">www.regulations.gov</a> and searching for docket number: BOEM-2022-0048. Please note that the BOEM will not accept anonymous comments.

BOEM is also expecting to hold two virtual meetings, the first on October 24 and the other on October 26, to provide information about the *Draft Supplemental EIS* and to take public comments. For information on BOEM's upcoming public meetings, please go to: <a href="https://bit.ly/3fVVdAc">https://bit.ly/3fVVdAc</a>.

#### Energy Department planning to examine impacts of a possible fuel export ban

At the request of White House officials, the U.S. Energy Department this Fall will reportedly analyze the possible impacts of a ban or limits to exports of gasoline, diesel and other refined petroleum products, according to media sources. With ongoing instability in energy markets, leaders of the Biden Administration continue searching for ways to try to control high gasoline and diesel prices in a bid to help American consumers, which could include possible restrictions on exports of energy supplies.

The forthcoming analysis by the Energy Department on the subject has been seen as a signal that the president and his cabinet remain open to the possibility of banning or limiting energy exports, a move which many economists and leaders from the industry warn would be a monumental mistake. Experts have cautioned that the nation does not have a place to put excess fuel, if refiners were unable to ship petroleum products overseas. Further, restricting exports would cut off important supply from the international market, putting upward pressure on prices, threatening the global flow of essential energy, undermining U.S. allies and creating negative global economic consequences, including here in the United States, energy representatives have also warned. Such policy measures also could deter essential investments across the U.S. energy supply chain, presenting even greater repercussions.

This summer, 93 House Republicans wrote to President Joe Biden expressing strong opposition to a possible ban on American crude oil or petroleum product exports, which they warn would be detrimental to America's national security and economy. "Banning oil exports would destroy American jobs and lead to higher energy prices for the hardworking people of this country already suffering under record high inflation. Furthermore, banning American oil exports would punish our allies in Europe and Asia who desperately seek to reduce their reliance on OPEC and Russia for oil. The only beneficiary of a ban on American oil exports would be Russia, which would gain geopolitical leverage over our allies and additional revenue to finance the unjustified war on Ukraine," said federal lawmakers.

#### Senate GOP leaders demand the Biden Administration end its assault on domestic oil and gas

In a <u>letter</u> sent to U.S. Secretary Deb Haaland, a group of 21 Republican lawmakers from the U.S. Senate recently demanded the Biden Administration put American energy consumers first and continue to sell leases on federal land and water. The push by the Congressional members comes as the administration is working to overhaul federal oil and gas programs, and soon expected to finalize the National Outer Continental Shelf Oil and Gas Leasing Program for 2023-2028.

"American families are struggling to keep up with rising costs due to inflation, high energy prices, and persistent supply chain issues," wrote the senators in their letter to Secretary Haaland. "It is our obligation to do everything within our power to help ease these burdens and remove this uncertainty for both Americans and our allies."

"One of the most effective ways we can do this is to increase future domestic oil and natural gas production through long-term leasing certainty," continued the senators. "That is why we are encouraging 10 lease sales in the Gulf of Mexico and one lease sale in the Cook Inlet in the next five-year offshore leasing program." The officials also said the department could help boost domestic energy production by offering quarterly oil and gas lease sales with desirable acreage across federal lands.

The group of U.S. Senators signing the letter, led by U.S. Senator Bill Cassidy, M.D. (R-Louisiana), also included Texas' two federal senators, John Cornyn and Ted Cruz. Other policymakers joining the effort were U.S. Senators John Barrasso (R-Wyoming), Jim Inhofe (R-Oklahoma), Jim Risch (R-Idaho), Roger Wicker (R-Mississippi), John Kennedy (R-Louisiana), Cindy Hyde-Smith (R-Mississippi), Steve Daines (R-Montana), Tom Cotton (R-Arkansas), Kevin Cramer (R-North Dakota), Dan Sullivan (Alaska), Mike Braun (R-Indiana), James Lankford (R-Oklahoma), John Hoeven (R-North Dakota), Roger Marshall (R-Kansas), Cynthia Lummis (R-Wyoming), Thom Tillis (R-North Carolina), Mike Crapo (R-Idaho), and Lisa Murkowski (R-Alaska).

Page 5 October 13, 2022 THE TIPRO TARGET

#### U.S. Senate leaders weighing "NOPEC" bill after OPEC+ rebuffs Washington's production requests

Top leaders of the U.S. Senate, including Senate Majority Leader Charles Schumer (D-New York), are reengaging legislation that seeks to hold foreign oil producers accountable for colluding to fix global oil prices. Interest on the so-called "No Oil Producing and Exporting Cartels (NOPEC)" bill, which explicitly authorizes the Justice Department to bring lawsuits against oil cartel members for antitrust violations, was resparked in early October after OPEC producers said they would impose deep cuts to oil production output. The bill was passed by the Senate Judiciary Committee this past May with bipartisan support. TIPRO members may see full text of the legislation <a href="here">here</a>.

"Since day one, the Biden Administration has pursued policies that have limited or discouraged U.S. energy production, leading to an increase in fuel prices and making us more reliant on foreign oil producers. OPEC and its partners have ignored President Biden's pleas for increased output, and now they are colluding to reduce production and further raise global oil prices," said U.S. Senator Chuck Grassley (R-lowa), the author of the *NOPEC Act*. "If this administration insists on making us more dependent on less friendly, less environmentally conscious foreign oil producers, we should at least be able to hold them accountable for their unfair price fixing. My bipartisan *NOPEC Act* would crack down on these tactics by the foreign oil cartel. It's already cleared the Judiciary Committee on a bipartisan basis, and there's no reason why it shouldn't pass as a part of our upcoming defense authorization effort. Our energy supply is a matter of national security," stressed Senator Grassley.

In a statement, last week Senator Schumer also said that Congress was looking at all the legislative tools to best deal with actions by OPEC, including the NOPEC bill.

Other policies are also being weighed by lawmakers in the fallout from OPEC's decision to cut crude production, including some proposals that would lead the U.S. to freeze all aspects of cooperation with Saudi Arabia, and others which would suspend future weapons sales to Saudi Arabia or reconsider U.S. military troop presence in the Middle East.

#### Energy sector told to remain on high alert after suspected pipeline attacks overseas by Russia

Federal officials recently cautioned U.S. energy operators to remain on "high alert" after a major natural gas pipeline in Europe was damaged in what appeared as a deliberate act of destruction by Russia. At the end of September, the Nord Stream 1 and 2 pipelines running along the Baltic seabed from Russia mysteriously began showing leaks. After subsequent investigation following the incident, foreign leaders have said the natural gas pipelines were most likely attacked with large amounts of explosives, in what is believed to be an intentional act of sabotage by Russia.

While speaking at an international event in Vienna, U.S. Secretary of Energy Jennifer Granholm recently said that given the attacks on energy infrastructure occurring abroad, American energy operators should stay on alert for potential attacks on infrastructure owned and operated by U.S. companies. Asked whether U.S. LNG shipments to Europe also need to take more precautions given circumstances, Secretary Granholm replied, "Of course. We have to be on heightened alert," according to reports by *Bloomberg*.

## Our goal is to help you pursue yours. It's that simple.

At Merrill, we'll help you get ready for the future with a financial approach that's designed for you.

#### **Douglass-Khan Group**

#### **Merrill Lynch Wealth Management**

15375 Memorial Drive Suite 400 Houston, TX 77079 281.588.7157

fa.ml.com/douglass-khan-group



Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill") makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation ("BofA Corp."). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC and a wholly owned subsidiary of BofA Corp.

Investment products: Are Not FDIC Insured Are Not Bank Guaranteed May Lose Value

Page 6 October 13, 2022 THE TIPRO TARGET

#### Biden Admin "bent on adding taxes, fees and regulations" for oil & gas industry, say E&P executives

In a new survey of executives from U.S. exploration and production (E&P) firms, oil and gas leaders denounced the Biden Administration's energy policies, expressing frustration towards the hostile regulatory environment coming out of Washington, D.C. The industry survey was administered by the Federal Reserve Bank of Dallas in September, with 163 energy firms responding. Of the respondents, 105 were exploration and production firms and 58 were oilfield services companies.

"There is nothing happening in the current administration that would encourage anyone to be in the oil and gas business," wrote one respondent.

"Specific contradictory statements and positions by the White House and like-minded politicians following that political agenda are very harmful for our energy security and are undermining the country's ability to help with the needs of allies in Europe and around the world," expressed another executive in the survey.

The government's new *Inflation Reduction Act*, signed into law just two months ago, and federal leasing programs were addressed in the new survey, with generally negative reaction conveyed from oil and gas firms to harsh regulatory conditions and increasing regulatory uncertainty for the nation's energy sector.

Oil and gas leaders also in the Dallas Fed's survey noted persistent delays happening across the supply chain. Survey participants said that it was taking longer to receive materials and equipment, and supply costs have continued to increase substantially. In fact, costs were up for a seventh straight quarter, according to the Dallas Fed. One respondent indicated that the availability of services and supplies was the chief constraint to their business expansion. Concerns over labor levels, permitting, inflation, capital funding, as well as the executive branch's policy agenda toward the E&P industry, were other challenges mentioned by firms in the new survey.

Otherwise, the Dallas Fed energy survey showed in the third quarter that activity in the oil and gas sector expanded at a strong and robust pace. "On average, respondents expect a West Texas Intermediate (WTI) oil price of \$89 per barrel by year-end 2022; responses ranged from \$65 to \$122 per barrel," said the bank. "Survey participants expect Henry Hub natural gas prices of \$7.97 per million British thermal units (MMBtu) at year-end. For reference, WTI spot prices averaged \$85.49 per barrel during the survey collection period, and Henry Hub spot prices averaged \$8.16 per MMBtu."

#### JPMorgan Chase CEO says the U.S. should pump more oil amid global energy crisis

In an interview earlier this week, JPMorgan Chase Chief Executive Officer Jamie Dimon advised that the United States should be developing and producing greater volumes of oil and natural gas. The comments were made by Dimon only days after an agreement was struck by producers part of the Organization of Petroleum Exporting Countries, or OPEC, to lower the group's oil output in attempts to address a weak oil market amid fears of a global economic slowdown.

"Obviously, America needs to play a real leadership role — America is the swing producer, not Saudi Arabia," Dimon told *CNBC*. on Monday, October 10. He suggested the U.S. forge ahead in pumping more oil and gas to help alleviate market pressures from the worsening global energy crisis.

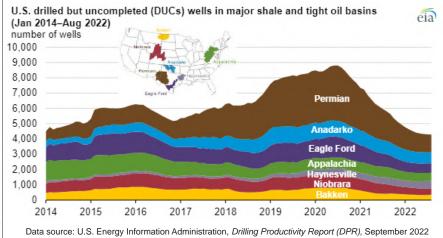
During his interview, Dimon also predicted an economic recession was likely in the next six to nine months, based off of runaway inflation, large interest rates hikes and other trends impacting the U.S. and global economy.

#### **DUC well inventory continues to fall in the United States**

The number of drilled but uncompleted wells (DUCs) continues to decline, shows new data released by the U.S. Energy Information Administration (EIA). As of August, there was an estimated total of 4,283 DUC wells in the United States, down significantly from record

highs in 2020. The decline in DUCs in most major U.S. onshore oil- and natural gas-producing regions indicates that more wells are being completed and fewer new wells are being drilled, said experts from the EIA.

"In the second quarter of 2020, COVID-19 mitigation efforts resulted in less worldwide demand for petroleum products. Crude oil and natural gas producers shut in existing production and halted completions of new wells in the United States. Based on our current estimates, DUCs reached a record of more than 8,800 wells in second-quarter 2020," explained EIA analysts. "Due to continued market uncertainty and limited access to new investment capital, oil and natural gas producers have focused their spending on existing operations. Since June 2020, the overall number of DUC wells has steadily declined by an average of 227 DUCs per month during



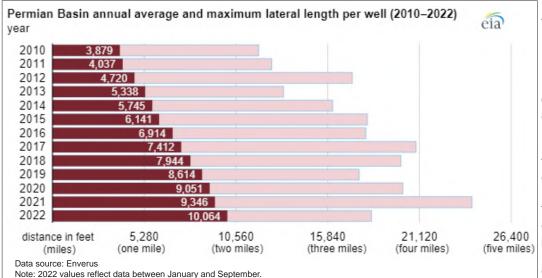
2021 and by 82 DUCs per month during 2022. For August 2022 (the most recent month available), DUCs totaled 4,283 wells in all Drilling Productivity Report regions."

The Permian Basin has recorded the largest drop in DUC wells in the past two years, noted the EIA, as drillers in the region accelerate completions of DUC wells. Other areas seeing substantial reductions to DUC well counts include the Appalachia region, the largest natural gas-producing region in the United States. According to the EIA, only the Haynesville formation has seen a slight increase in number of DUCs, by 100 wells, largely attributed to growing demand of natural gas from newly added liquefied natural gas (LNG) export capacity on the Gulf Coast.

Page 7 October 13, 2022 THE TIPRO TARGET

#### Technological advancements allow Permian producers to extend well lateral lengths, boost output

The average productivity of new wells in the Permian Basin has grown for 12 consecutive years, supported by technological advancements and improved completion techniques which have given producers greater access to hydrocarbons, according to a new assessment published by experts with the U.S. Energy Information Administration (EIA).



"Since 2010, advances in hydraulic fracturing and horizontal drilling led to rapid production growth. The number of new horizontal wells increased to 4,524 in 2021, compared with 350 in 2010," noted the EIA in its analysis. "The length of a well's horizontal section, or lateral, is a key factor in well productivity. In the Permian Basin, average well horizontal length has increased to more than 10,000 feet in the first nine months of 2022, compared with less than 4,000 feet in 2010."

Last year, each new well drilled in the Permian Basin was producing an average of 960 barrels of oil equivalent per day, the EIA also reported. Oil and natural gas production from the basin is expected to continue to grow in the future.

#### New industry report highlights oil and gas' progress on methane emission reductions

Oil and natural gas producers in the United States continue to make meaningful strides in reducing flaring, decreasing emissions and improving overall environmental impact from E&P operations. An annual report released earlier this Fall by the Environmental Partnership, an industry coalition comprising of over 100 energy companies of all sizes, captured progress made by the oil and natural gas sector across all six environmental performance programs run by the partnership.

The Environmental Partnership, which was launched in 2017, has quadrupled in the number of participants involved in the initiative in the last five years. Many companies part of the program are also active members of TIPRO. The partnership serves to drive industry innovation, help companies to share best practices and also enhance transparency to reduce methane emissions in every major U.S. basin.

"The Environmental Partnership has been, and will continue to be, integral to developing energy and environmental solutions, and we are proud of how the program has grown, both in size of our participating companies and in the scope of our mission," said Matthew Todd, director of the Environmental Partnership. "As our industry continues to drive solutions to better detect and reduce methane emissions, The Environmental Partnership will continue to serve as a springboard to advance technological innovation, cultivate best practices and take action to improve our environmental performance."

Highlights from the group's recent report include:

- Flaring reductions: In 2021, there was a 45 percent reduction in flare intensity and a 26 percent reduction in total flare volumes from the previous year, even as the number of companies participating in the partnership's flare management program grew by 40 percent. These companies now represent 62 percent and 40 percent of total U.S. oil and natural gas production, respectively.
- Replacing pneumatic controllers: Since the Environmental Partnership program started five years ago, more than 10,000 zero-emissions controllers have been installed by companies and more than 51,000 gas-driven controllers have been replaced. According to the group, last year alone, more than 4,500 zero-emission pneumatic controllers were installed at new sites and more than 22,400 gas-driven pneumatic controllers and 1,700 high-bleed devices were replaced or removed from service.
- Detecting and repairing leaks: In 2021, the Environmental Partnership participating companies performed more than 345 million component inspections. The program performed more than 460,000 surveys over more than 90,000 sites and found a leak occurrence rate of 0.05 percent, or less than 1 component leaking in 2,000, among sites surveyed.

To see more about the efforts and commitments of companies part of the Environmental Partnership, visit https://bit.ly/3fYQGNv.

#### Members reminded to update contact listing for TIPRO's next annual directory

Members of TIPRO are reminded to please notify the association of recent changes to your contact information, as the association prepares listings for its next annual membership directory. Last month, members were mailed a form showing membership contact information for review and verification. The association requests members' help confirming or updating the information on file to ensure TIPRO's records are current and accurate.

In addition to completing and returning the mailed form, members may alternatively log into TIPRO's new membership portal at <a href="https://www.tipro.wildapricot.org">www.tipro.wildapricot.org</a> to update your contact information online. We ask that you please review and confirm your contact listing by Friday, October 14, 2022.

Note: If TIPRO does not receive your updated form, we will consider the contact information on file as accurate and will publish it in the association's 2023 Membership Directory. Should you have any questions, please contact Anjelica Torres at (512) 477-4452 or email <a href="mailto:info@tipro.org">info@tipro.org</a>.







# 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