Domestic Energy Producers Alliance

DEPA DRILLER

February 2024

DEPA Report on Industry, Leadership, Legislation and Energy Regulation

Standing Up For Our Industry

Our Executive Board Members get a weekly update on our project status. Regulatory Committee Members get a monthly report tracking regulations, administration movement, judicial action, and other radar pings. As a DEPA member who is interested in supporting advocacy for the industry, but who is generally going about the work week focused on what is happening inside your own circles, you might be unaware of what we are actively working on, and/or actively waiting for movement on to determine a response.

It has been clear to the DEPA Leadership that no organization planned to stand up to take on legal battles that **should** be fought in the current movement to force a premature and impossible energy transition.

When EPA proposed new emissions standards seeking a substantial restructuring of the American automobile market in pursuit of unauthorized climate goals, someone had to step in. Someone had to say EPA has no authority to promulgate the Standards and functionally force vehicle manufacturers to produce more electric vehicles. **DEPA became the Plaintiff in the Competitive Enterprise Institute (CEI) V EPA Brief filed in November 2022.**

The EPA and the National Highway Traffic Safety Administration (NHTSA), in close coordination with the State of California, have embarked on a concerted effort to force electrification of the Nation's vehicle fleet with the California Waiver. **DEPA stepped up as a Plaintiff** under the American Fuel and Petrochemical Manufactures (AFPM) suit in the DC Circuit. DEPA member California Independent Petroleum Association (CIPA) is our Declarant in the case. Oral Arguments were held in September 2023 and the case moves forward.

When the SEC released its proposed climate disclosure rule, revealing their plan to require such cumbersome and nearly impossible reporting on greenhouse gas emissions that corporations would not be able to comply with them and have no basis in science or economic policy. DEPA, along with many others, provided comments on the proposed rule. However, DEPA has gone a step further in working with the Pacific Legal Foundation to be ready to file a lawsuit against the SEC if the rule is finalized and put in place.

DEPA has taken on the role of fighting back agaist these backhanded attempts to reshape the energy, transportation, and national security of America, and we will continue to do so!

Cont'd on Pg 3

"DEPA's continuing efforts to rein in excessive EPA regulations, particularly as it regards the impending Methane tax and its unreasonable burden on small oil and gas producers, is greatly needed and appreciated."
- Ken Hunter, Founder & President Vaquero Energy

DC 2024
FLY-IN AND BOARD MEETING

Tuesday, April 9 – Day One

10:30 am-11:30 am | Leadership Meeting (committee only) | Patton Room

12:00-1:00 pm | Group Lunch—No Speaker | Grant Room

1:00-3:00 pm | Board of Directors Meeting | Patton Room

5:30-7:00 pm | Reception | Franklin Study

7:00-9:00 pm | Dinner—with speaker | Franklin Study

Wednesday, April 10 – Day Two

8:30 am-10:00 am | Group Breakfast —with Speaker | Roosevelt Room

10:15 pm | departure on shuttle to Capitol Hill

11:00– 2:00 pm | Meetings and lunch off site today

2:00 pm | Return of shuttle to the hotel

4:30-6:00 pm | Reception | Roosevelt Room

SUBJECT TO CHANGE.
VERSION 1/30/2024

April 9 & 10

During the Cherry Blossom Festival

Registration at:

WWW.DEPAUSA.ORG/DC-FLY-IN

Room Block:

Waldorf Astoria

more info on the registration page

THE PEOPLE OF AMERICAN OIL & NATURAL GAS

DEPA

DOMESTIC ENERGY PRODUCERS ALLIANCE

Executive Board of Directors

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Executive Chairman

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Lobbyist

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Marketing and Communications Dir.

Debbie Bloem
Bookkeeping

DEPA believes in seeking common ground, through common sense solutions, to the challenges facing our industry. Our bipartisan approach provides a uniquely powerful voice for our members at the state and national level.

Our work is critical.
Your support is vital.

PO Box 33190 • Tulsa, OK 74153 • 405-669-6646 • Info@DEPAUSA.org

Here is a rundown of our current activities:

- **PROVE IT Act—Aggressively Opposing**

Overview: In August 2023 Senators Coons and Cramer introduced legislation to study global emissions intensity and hold countries with dirty production accountable. PROVE IT would gather the necessary data to quantify the advantage of the US's cleaner manufacturing practices against countries with little to no environmental standards. HOWEVER, buzzwords are there, "verifiable", "stewardship", "global data", and "cleaner", but what is next? The train of thought that the DOE report shows that the U.S. produces "it" better so, what then? We think the word "tariff" will be added to the list.

This legislation is a gateway for a carbon tax on imported goods and a domestic carbon tax. The PROVE IT Act is not a benign government measurement scheme that will exist for knowledge purposes. It would create a detailed carbon-emissions measuring system for *domestic* and foreign goods, putting into place exactly what is needed to implement a carbon tariff *and* a domestic carbon tax.

- **California Waiver — DEPA is Plaintiff in a Lawsuit against the EPA**

Overview: The Clean Air Act allows California to seek authorization to enforce its own standards for new nonroad engines and vehicles, despite the preemption thar prohibits states from enacting emission standards for new nonroad engines and vehicles. The requirement that vehicles sold in California be zero-emissions by 2025 is illegal. EPA lacks the authority to grant the California Air Resources Board the ability to enforce this rule and stated CARB had failed to consider the emissions produced full lifecycle of zero-emission vehicles, such as from battery production, and not just tailpipe emissions.

DEPA as Plaintiff under the American Fuel and Petrochemical Manufactures (AFPM) suit in the DC Circuit. DEPA member California Independent Petroleum Association (CIPA) is Declarant. Oral Arguments were held in September 2023 and the suite moves forward.

- **California Diesel Waiver/The Advanced Clean Trucks Regulation — DEPA is Plaintiff in a Lawsuit against the EPA**

Overview: In April 2023, the California Air Resources Board (CARB) approved a regulation to phase out the sales of medium and heavy-duty combustion trucks in California by 2036.

DEPA as Plaintiff under the American Fuel and Petrochemical Manufactures (AFPM) suit in the DC Circuit. DEPA member California Independent Petroleum Association (CIPA) is Declarant. Oral Arguments were held in September 2023 and the suite moves forward.

- **EPA Emissions Standards — DEPA is Plaintiff in a Lawsuit against the EPA**

In April 2023, the EPA announced new, more ambitious proposed standards to further reduce harmful air pollutant emissions from light-duty and medium-duty vehicles starting with model year 2027. The EPA seeks to substantially restructure the American automobile market in pursuit of unauthorized climate goals. Under no plausible reading of the Clean Air Act was the EPA given authority to perform this restructuring. Section 202 of the Clean Air Act charges the EPA with promulgating "standards" about the volume of air pollutants that motor vehicles may lawfully emit.

EPA had no authority to promulgate the Standards and functionally force vehicle manufacturers to produce more electric vehicles. One of the many reasons why is that the Standards will place enormous new strain on the electric grid, threatening the grid's reliability altogether. The EPA previously recognized that the agency has no power to take action that would "threaten the reliability of the grid." Instead, action that substantially burdens grid reliability is a major question, implicating an arena where administrative agencies cannot act without "clear congressional authorization" the EPA has none here. On the contrary, Congress has emphasized that *maintaining* grid reliability is a priority of the highest order. Indeed, in the instances where Congress has actually authorized the EPA to take action that would affect the grid, it has emphasized that the EPA must not jeopardize electric reliability. Another reason this case presents a major question is that it jeopardizes national security. An overwhelming share of the materials required to produce electric vehicles are in China and other hostile countries.

In addition, the Standards are arbitrary and capricious because their stringency was materially informed by the flawed "social cost" of greenhouse gas estimates. Among other things, those "social costs" include the costs that greenhouse gases ostensibly impose *on the world*, not just the United States. But EPA had no authority to promulgate Standards based on extra-territorial concerns. EPA also failed to reasonably explain why it was appropriate to use this new "social cost" analysis when its previous rulemaking did not. And the "social cost" analysis also resulted in EPA comparing apples to oranges in its cost-benefit analysis, because it myopically used certain mathematical presumptions to inflate the "social cost" of greenhouse gases that it did not apply to other parts of its cost-benefit analysis.

- **EPA Methane Rule— DEPA participates as a member of a collation weighing options for next steps, including legal action**

Overview: In November 2021, EPA proposed a rule to reduce methane emissions from oil and gas sources through the imposition of standards and requirements on new, modified and reconstructed sources. November 2022, EPA proposed a supplemental rule to reduce methane emissions, which addressed public comments to the 2021 Proposed Rule and made adjustments due to new legislation.

On December 2, 2023, the Biden Administration announced its final rule under the Clean Air Act.

DEPA joined the Producers Associations'. A group which met regularly in an effort to prepare comments for submission to the EPA. EPA said it considered nearly one million comments on two proposals (subpart OOOOb and OOOOc) as it developed the final rule.

House Energy and Commerce Committee Chair Cathy McMorris Rodgers (R-WA) delivered said the following during the February Environment, Manufacturing, and Critical Materials Subcommittee **hearing** on the EPA's burdensome new regulations. "The EPA's latest proposal, if implemented, would impose additional burdensome regulations for methane, which would further stifle innovation, increase operational costs for producers, and increase the price of energy. These burdens will fall directly on American families and businesses."

DEPA Executive Board Member Patrick Montalban testified during the hearing.

- **SEC Proposed Rule— Brief and Filing Ready, DEPA and Texas Alliance of Energy Producers as Plaintiffs**

The rule is so complex it runs 506 pages, contains 1,068 footnotes, references 194 dense academic and governmental reports, imposes a $10.235 billion cost on society, and seeks answers to 196 discrete questions. The sheer volume of information would overwhelm investors, obscure transparency, and divert excessive resources away from productive, revenue-generating activities into bean-counting overhead.

It would require corporations to report Scope 1, 2, and 3 greenhouse gas (GHG) emissions of everything related to the production, end-use consumption, and disposal of their products. Companies would have to provide up to 232 discrete data points, several of which would themselves require the collection of thousands of data points.

The SEC has neither the authority nor expertise to measure emissions. EPA already requires GHG emissions reporting, which SEC would duplicate down to an absurd level of detail impossible to achieve. Companies would have to collect data from all the manufacturers and service providers they use, down to how much rubbish they dispose, the hotel stays of their employees, and the mileage of their vehicles, as well as anticipate all the ways consumers would use their products, a nearly impossible task.

Congress has not passed any law requiring the elimination of fossil fuels. The final rule was released December 2023. When the final rule is published in the Federal Register, DEPA is ready to move forward with a lawsuit to challenge this regulatory overreach.

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House Votes to Overturn Biden's Freeze on new LNG Exports

Nine centrist Democrats voted along side Republicans to overturn Biden's recent LNG permit ban using a new bill, H.R. 7176 **Unlocking our Domestic LNG Potential Act of 2024**, written by Texas Republican Representative August Pfluger.

H.R.7176 would eliminate the requirement for the DOE authorization of export of liquefied natural gas to countries with which the US does not have a free trade agreement (non-FTA countries).

Led by Rep August Pfluger (R-TX) the bill passed with a 224-200 vote on February 15.

"We will heed the calls of young people and front-line communities who are using their voices to demand action from those with the power to act," the president said about the bill.

"This ban will harm the American economy, jeopardize good paying jobs, weaken our energy security, and it threatens the security of our friends and allies," said House Energy and Commerce Committee Chair Cathy McMorris Rodgers, Washington Republican. "President Biden's ban sends a signal to our allies that we're no longer a dependable energy partner."

Nine Democrats Vote for HR 7176

- Yadira Caraveo/Colorado
- Jim Costa/California
- Henry Cuellar/Texas
- Jared Golden/Maine
- Vicente Gonzalez/Texas
- Rick Larsen/Washington
- Mary Sattler Peltola/Alaska
- Marie Gluesenkamp Perez/Washington
- Marc Veasey/Texas

- **Pause on New LNG Export Facility Permits— DEPA is Aggressively Opposed**

Executive Chairman Harold Hamm wrote a Washington Post Op/Ed regarding this issue.
"Fast-forward to today and President Biden has slowed down the process of pending approvals of LNG exports. Nobody can figure out why he would take these actions.

This is a message to our allies that you can't rely on America. This is a policy that puts America last. Actions like this prevent America from coming to the rescue of our allies today or in the future, thereby empowering Russia once again and harming Americans and American oil and gas producers by stopping the free market.

American-made natural gas helps to insulate Americans from growing global instability by providing LNG and helping to ensure our own national security and that of our allies.

Natural gas is one of our most valuable resources in America. And it's one of the most valuable resources we can export to our allies. It has the added benefit of meeting all climate goals for lowering carbon intensity. Natural gas is a clean-burning fuel that is displacing much of the denser fuels such as wood and coal." Hamm wrote

DEPA Leadership is in Washington at least once a month holding meetings with key congressional members and staffers on all of the various challenges that face our members.

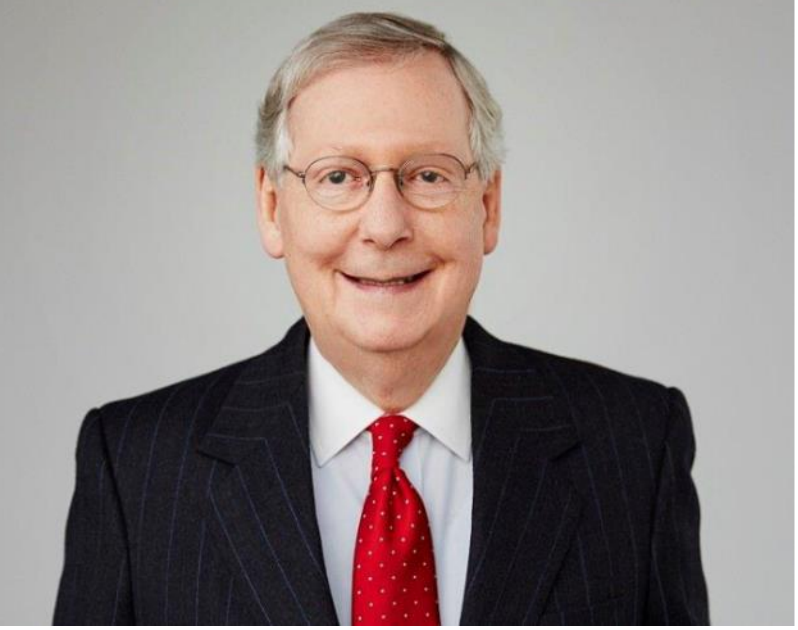
We are in constant contact with coalitions working on specific issues and regularly working on comment submissions and letters to leadership.

DEPA is known for being an organization of action. We are fleet of foot and results based.

We ARE the people of American oil and natural gas and we stand up for our own.

Thank you for your support as members. Thank you for spreading the word about our work and introducing us to your circles.

Thank you for working beside us to protect domestic energy and all that means to the United states and the world.



Biden's LNG Ban Baffles Allies, Pleases Adversaries

'[I]f the Biden Administration was really concerned about access to one of the nation's most abundant, reliable, and affordable energy sources, they'd release their stranglehold on domestic energy exploration and energy infrastructure. Millions of Americans live near massive natural gas reserves, but can't reap the benefits because the President is afraid of upsetting climate activists by investing in safe and efficient energy infrastructure.'

U.S. Senate Republican Leader Mitch McConnell (R-KY) delivered the following remarks February 28 on the Senate floor regarding LNG exports: "It's been one month since the Biden Administration announced its de facto ban on new export permits for America's abundant stores of natural gas. One month since the President chose to bring growth in a critical sector of our economy – with massive, global consequences – to a screeching halt. At the risk of understating things, the condemnations of President Biden's decision were swift and full-throated. And it's not hard to understand why. With the stroke of a pen, the President threatened the livelihoods of the hundreds of thousands of Americans – from Texas to Pennsylvania – who produce and transport natural gas.

"From the outset, the Administration tried to cast the freeze as an effort to look out for American consumers. But the facts tell a different story. By the Energy Department's own analysis, the United States has more than enough natural gas to meet both domestic and export demand.

"In fact, if the Biden Administration was really concerned about access to one of the nation's most abundant, reliable, and affordable energy sources, they'd release their stranglehold on domestic energy exploration and energy infrastructure. Millions of Americans live near massive natural gas reserves, but can't reap the benefits because the President is afraid of upsetting climate activists by investing in safe and efficient energy infrastructure. Some of the most scathing criticism of the President's decision have come from his own former Democratic colleagues. As former Senator Mary Landrieu of Louisiana observed last month, the Administration's so-called 'pause' on LNG export permits was like, 'throwing a match in a bale of hay.'

"America's allies and partners already doubt our resolve to deter common adversaries. But now, the world wonders why the Biden Administration just handed them a gift!

"Last week, a German state-owned energy company confirmed that it would actually keep an LNG supply contract with Putin's Russia. But it gets worse: the company had a contract in hand to begin purchasing American LNG instead… until the Administration announced its freeze last month.

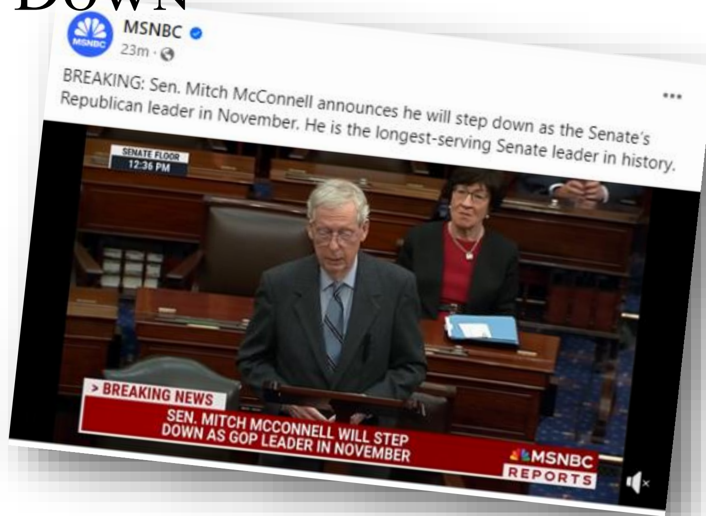
"In other words, the President of the United States essentially told a NATO ally to keep on enriching the dictator responsible for the first major land war in Europe since 1945. And to make matters worse, it's increasingly clear that President Biden's decision had another adversary's fingerprints all over it. Left-wing activists have been in the driver's seat of the President's energy policy since Day One – that much is not news. But his top climate advisors taking private meetings with influencers on a Chinese-owned social media platform? Or the campaign to ban LNG permits being driven by a private foundation invested heavily in Chinese funds? That is news.

"So Mr. President, LNG exports are one of the only areas of U.S.-China trade in which the PRC is reliant on the United States. Beijing would be all too happy for an excuse to buy less clean U.S. energy and more of what President Biden's energy secretary called, 'the dirtiest form of natural gas on earth' – Russian LNG.

"Well, it appears that President Biden has given our top strategic adversary precisely such an excuse. It's hard to understand the President's decision as anything other than a compulsive, short-sighted grab for more fleeting praise from his activist base. Clearly it makes no strategic or economic sense.

"As one expert analyst and deputy national security advisor under the previous administration put it, 'our partners and allies are baffled and [our] adversaries are pleased. That's never a good formula.'"

Senate Republican Leader Mitch McConnell Announces He Will Step Down



"My goals when I was narrowly elected to the Senate in 1984 were fairly modest – do a good job for the people of Kentucky and convince them by doing so to rehire me for a second term! That was it. That was the plan.

If you would have told me forty years later that I would stand before you as the longest serving Senate leader in history - I would have thought you'd lost your mind.

I have the honor of representing Kentucky in the Senate longer than anyone else in our history. But one of life's most underappreciated talents is to know when it's time to move on to life's next chapter.

I still have enough gas in the tank to thoroughly disappoint my critics and I intend to do so with all the enthusiasm which they have become accustomed.

To my colleagues, thank you for entrusting me with our success. It has been an honor to work with each of you. There will be plenty of time to express my gratitude in greater detail as I sprint towards the finish line, which is now in sight."

Who Is Most Likely to Replace Mitch McConnell?

Sen. John Thune (SD)

Senator John Thune serves as the Senate Republican whip, the number two position in Senate Republican leadership. He previously served as chairman of the Senate Republican Policy Committee from 2009–2011 and chairman of the Senate Republican Conference from 2012-2018.

He serves as ranking member of the Commerce Committee's Subcommittee on Communications, Media, and Broadband and ranking member of the Finance Committee's Subcommittee on Taxation and IRS Oversight.

Sen. John Barrasso (WY)

Senator Barrasso is the third-ranking member in the Senate Republican leadership as Chairman of the Senate Republican Conference.

He was sworn in to the United States Senate in 2007 having represented the people of Natrona County in the Wyoming State Senate from 2003-2007.

In November 2018, Barrasso was reelected to the U.S. Senate with more than 67% of the vote.

Sen. John Cornyn (TX)

From 2013 until 2019, Senator John Cornyn was chosen by his colleagues to serve as the Republican Whip, the second-highest ranking position in the Senate Republican Conference.

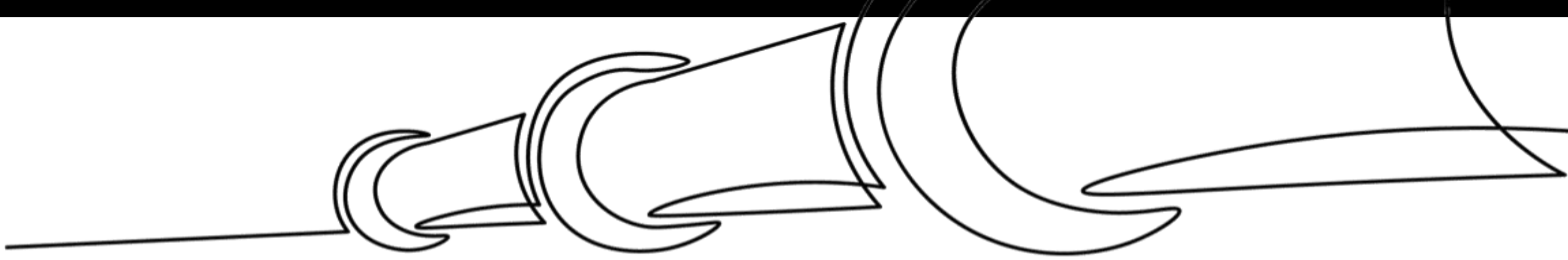
John Cornyn was first elected to the U.S. Senate in 2002 and is currently serving his fourth term.

He sits on the Senate Finance, Intelligence, and Judiciary Committees.

DAKOTA ACCESS PIPELINE TRIAL

The second week of the *North Dakota v. United States* trial officially concluded, further solidifying the state's claims that the federal government aided in the evolution of the Dakota Access Pipeline (DAPL) protest activities and failed to assist local law enforcement. These protests spanned nearly eight months and inflicted more than $38 million in damages on North Dakota.

By Senator Kevin Cramer (R-ND)



On February 21 the Court heard testimony from former Cass County Sheriff Paul Laney, a law enforcement officer who responded to the protests and led field operations on the ground. His testimony revealed the federal government intentionally neglected to assist the state during the protests, claiming that while the state wanted the U.S. Army Corps of Engineers (USACE) to ask the activists to leave, its allowance of protesters on USACE land provided a base camp for protestors to conduct illegal activity. Laney expressed how appalling it is the federal government allowed these protests to happen and how "shocking" it was to be "abandoned" by federal law enforcement counterparts, citing his service as a U.S. Marine. He also felt federal officials were against state and local law enforcement and agreeable to protesters in particular an instance with the Department of Justice.

Eric Pederson, a Captain with the State Highway Patrol, and Colonel Michael Gerhart, former Superintendent of the State Highway Patrol, also appeared before the Court. Pederson was among the first to respond at the start of the protests in Morton County. During his testimony, he noted while no federal help was being sent to North Dakota, numerous states sent aid and law enforcement to assist. He also described how it was ironic when law enforcement utilized Turtle Hill to keep a line of defense between protestors and pipeline construction. The Corps asked them to avoid placing too many assets on the hill to prevent environmental damage while protesters caused extensive damage to Corps land without discouragement. Gerhart believed if the Corps had asked state and local law enforcement in August to remove the protesters establishing camp on Corps land, they would have been able to do so. He also described an incident resulting in the only all-state code red which called for law enforcement from across the state.

Thursday also featured testimony from former North Dakota-based FBI Agent Jacob O'Connell, Robert Perry, the 30(b)(6) witness from the FBI, John Ketterling, an engineer with the North Dakota Department of Transportation, and Douglas Walker with the Department of Homeland Security (DHS).

The trial began with opening statements from attorneys for North Dakota and the United States, meant to provide Judge Traynor a preview of the case and the evidence which will be presented. Building off of Judge Traynor's pretrial determination that the United States violated its non-discretionary duty by failing to follow its own special use permitting process, North Dakota informed the Court it intends to prove:

- The United States invited the protestors on to federal land;
- Once on the land, the United States attempted no restraint over the protestors – rather, the federal government's actions encouraged them – creating a base camp from which they could export their violent and illegal activity;
- Harm was inflicted upon North Dakota's citizens, first responders, and public safety officials, which the United States was fully aware of;
- North Dakota acted reasonably and necessary to deal with the crisis the United States helped to create, including futile efforts to persuade the federal government to assist them;
- North Dakota suffered approximately $38 million in damages as a result of the failures of the United States.

O'Connell provided testimony indicating former FBI Deputy Director Andrew McCabe recalled an FBI drone unit sent to support law enforcement during the DAPL protests. Sent from Quantico, the unit arrived in Bismarck by a "G5" jet aircraft to assist in monitoring the protestors. That was until the drone unit received a phone call, terminating its mission. O'Connell and Robert Perry stated the decision was made by McCabe.

O'Connell, like other federal officials, attended daily briefings at the command centers hosted by state and local officials where information was shared. While O'Connell testified he was unable to pursue some things they thought were important and not given the resources necessary from his chain of command, he did say the FBI had up to 10 sources or informants in the camps, 15 positions within the FBI dedicated to the DAPL protests, and 50 to 100 employees rotating through those positions. Despite attending the daily briefings, O'Connell only "sometimes" shared information with state and local law enforcement.

"Every day brings up new questions about the role of the federal government in the protest response," added Cramer. *"Why were the FBI drones sent to North Dakota but recalled before they were ever used? Why did the FBI have informants in the camps if it rarely shared the information with local law enforcement? Who was the FBI protecting? What side of justice was the DOJ on?"*

Walker described the deployment of Customs and Border Protection (CBP) MQ-9 unmanned aircraft, AS-350 helicopters, and 10 CBP agents to the DAPL protest area to assist law enforcement on the ground.

Former North Dakota Governor Jack Dalrymple testified before the Court on Friday about the reasonable actions the state was forced to take while dealing with the public safety crisis created by the federal government. Accompanying an August 22 email, Governor Dalrymple testified to telling USACE's Colonel Henderson it would be a bad idea to grant a special use permit to the protesters on Corps land. He described the confusion emanating from the USACE notifying the public a special use permit was granted, but the conditions of which were never met. Therefore, the permit was never legally in place.

Governor Dalrymple also described how the joint statement from the Departments of Justice, Army, and Interior gave protesters hope they had a chance to stop the pipeline and called into question what was otherwise a well-executed permitting process. He was confused by his conversation with Former Secretary for the Department of the Interior Sally Jewell, who described there were dangerous people in the camps, but failed to maintain the protestors. In wrapping up its questioning of Governor Dalrymple, counsel for the U.S. noted more than $13 million was raised by environmental activists related to the DAPL protests.

Jewell began her testimony on Friday which will resume next week, along with testimony from Governor Doug Burgum.

"The whole reason for the trial is to allow North Dakota to recoup the costs of policing the DAPL protests when the feds failed to act. Even though this trial is not a criminal trial to evaluate innocence or guilt, testimony from federal agents makes their complicity even clearer," **said Senator Cramer.**

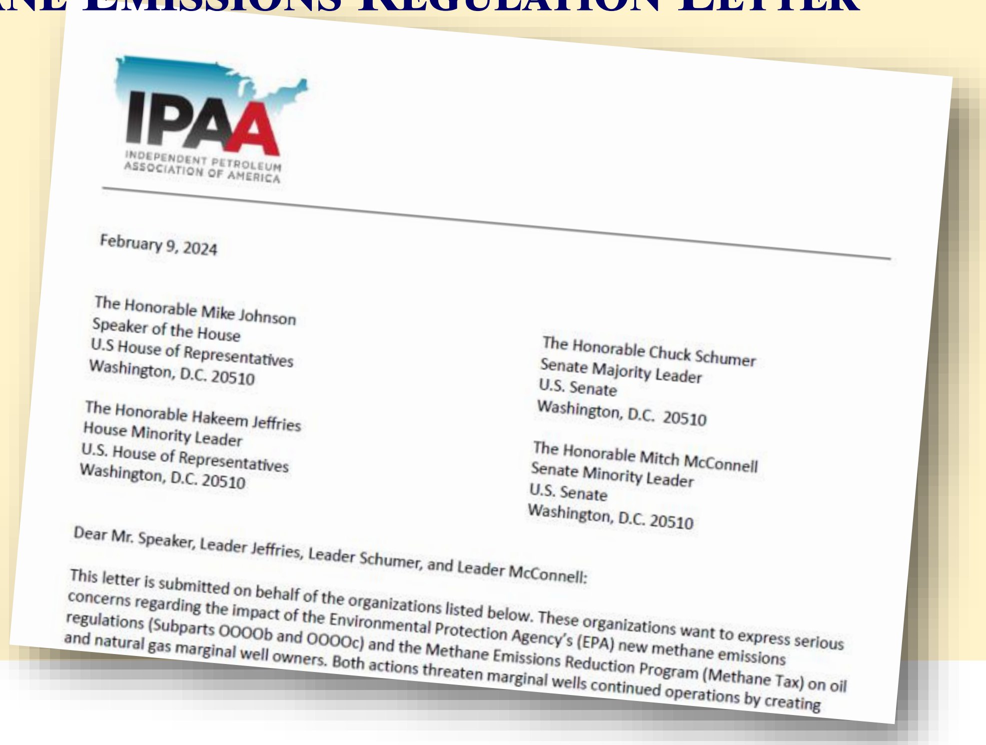
In court Special Assistant Attorney General Paul Seby said, through the course of the 230 day protest, 761 arrests were made, 178 agencies were involved and four days were needed to clean up the campsite. 600 bins were filled with 9.8 million pounds of trash

Seby also said the Obama-era federal government allowed and encouraged an "unpermitted, massive and long-term occupation of federal lands. North Dakota was left to deal with this crisis on its own."

DEPA Joins Methane Emissions Regulation Letter

Dear Mr. Speaker, Leader Jeffries, Leader Schumer, and Leader McConnell:

This letter is submitted on behalf of the organizations listed below. These organizations want to express serious concerns regarding the impact of the Environmental Protection Agency's (EPA) new methane emissions regulations (Subparts OOOOb and OOOOc) and the Methane Emissions Reduction Program (Methane Tax) on oil and natural gas marginal well owners. Both actions threaten marginal wells continued operations by creating unfair, unworkable, and uneconomic regulations. These small business energy producers need assistance to find a regulatory or legislative solution to mitigate these threats.


IPAA
INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

February 9, 2024

The Honorable Mike Johnson
Speaker of the House
U.S House of Representatives
Washington, D.C. 20510

The Honorable Hakeem Jeffries
House Minority Leader
U.S. House of Representatives
Washington, D.C. 20510

The Honorable Chuck Schumer
Senate Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Senate Minority Leader
U.S. Senate
Washington, D.C. 20510

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Marginal Wells Defined

Marginal wells are defined as wells that produce no more than 15 barrels/day of oil equivalent (90 mcfd of natural gas). Nationally, according to the Energy Information Administration, these wells average about 2 barrels/day and 18 mcfd. There are about 750,000 of these small wells divided roughly equally between oil and natural gas wells. Significantly, about 600,000 of these wells produce no more than 6 boe/d and about 300,000 of these wells produce no more than one boe/d. Operations of these wells differ from large wells. Many do not operate continuously, particularly as their production declines. Wells may operate on timers such that they only pump a few hours per day; others may only operate a few days or one day per week. The 1994 National Petroleum Council Marginal Wells study observed that wells in the one boe/d or less category were dominated by these intermittent operations.

Regulatory Applicability to Marginal Wells

There have been limited emissions data collected focused on marginal wells, and very few studies have included onsite measurements. The most notable effort was funded by the Department of Energy, Quantification of Methane Emissions from Marginal (Small Producing) Oil and Gas Wells. This study produced key findings that are important regarding the potential regulatory burdens being imposed by EPA.

1. Approximately ten percent of the wells accounted for ninety percent of emissions.

2. Emissions from wells below 6 boe/d rarely exceeded the three tons/year threshold of methane emissions that EPA proposed as the cutoff for Leak Detection and Repair (LDAR) regulations in its 2021 Subpart OOOOc proposal.

3. The predominant sources of emissions were from tanks (open thief hatches, poor seals), faulty pneumatic controllers, and inadvertently opened vents.

These results demonstrate that targeted actions to reduce emissions from these few sources from larger marginal wells would manage the meaningful environmental impacts of these wells. Never-the-less, EPA continues to fail to use common sense solutions.

Subparts OOOOb and OOOOc

Subpart OOOOc is intended to define Emissions Guidelines (EG) for existing sources of methane emissions from oil and natural gas facilities. For oil and natural gas production operations, there are about one million wells that would be affected, including the 750,000 marginal wells described previously. States are supposed to take these EG and develop a plan to implement them. While the Clean Air Act (CAA) provides significant flexibility for states to develop their own regulations, EPA wrote this regulation to limit that flexibility. The CAA rightly recognizes that each state has unique situations that require flexibility to ensure a regulation is reasonably applied, but EPA is attempting to prevent its use. If states are forced to adopt the EG without changes, there will be significant consequences for marginal wells. Earth Science Systems evaluated the impact of EPA's regulations and concluded that 30 percent of existing wells would be shut down; these are likely the 300,000 wells producing one boe/d or less. Another report, by Enverus, estimates that 34 percent of existing wells would become uneconomic under the new EPA regulations, a conclusion consistent with the Earth Science Systems report.

Four key areas are: (1) LDAR requirements, (2) pneumatic controller regulations and (3) associated gas management, and (4) compliance timeline.

LDAR – EPA divides its LDAR requirements between two approaches: AVO (audio, visual, olfactory) which industry supports for marginal wells and OGI (optical gas imaging) which is far more costly. EPA creates four well type categories and sets different LDAR requirements for each category. The key issue is the difference between requirements for small well sites (quarterly AVO) and large well sites (quarterly OGI and bimonthly AVO). Using EPA's category definitions, the vast majority of wells will fall into the large well site category. At a recent House Energy and Commerce Subcommittee hearing, a producer from Michigan illustrated the challenge his operations face. His company produces primarily oil from 262 well sites averaging about 1.4 barrels/day/well. However, 231 of these well sites will be categorized in the large well site category for LDAR. The cost of quarterly OGI and bimonthly AVO will be prohibitive for marginal well owners.

Pneumatic Controllers—Pneumatic controllers are used at many marginal wells. Because most wells are in remote locations without electricity, they use produced gas from the well site to activate the controllers and the gas is discharged to the air. Rather than recognize that these controllers are part of the well site, and the costs of regulation affects the economics of the well, EPA treats them as a separate "facility" which allows the cost benefit analysis to ignore the impacts on the whole well site. Based on its analysis – using some questionable emissions data – EPA's EG requires gas-driven pneumatic controllers to be eliminated. Many states have

required that captured gas be routed to 95 percent emissions control, but EPA rejected this option. Even the feasibility of complying with these requirements for small remote facilities is questionable.

Associated Gas Management—EPA requires that associated gas from marginal oil wells must be captured with very limited exceptions. This gas capture requirement comes with a substantial cost that cannot be absorbed by most marginal well owners. Previous regulations allow for flaring and venting of a de minimis amount of associated gas, but these reasonable options are mostly eliminated under the new rule. EPA ignored the fact that associated gas capture may simply not be feasible for some rural well sites, wrongly forcing their premature closure. As wells age, the volume of associated gas diminishes, wells do not operate continuously, and therefore volume of the gas is too small to be recovered and sold. From the standpoint of EPA's requirements, intermittent gas cannot operate an incinerator without a supplemental gas supply. Consequently, the EPA requirement would result in the perpetual purchase of supplemental gas to burn continuously to eliminate an amount of methane that has not been shown to be significant.

Compliance Timeline — The EPA compliance timeline is not realistic for marginal well owners. EPA has given states two years to come up with a state plan and then an additional three years for compliance. Even if a reasonable pathway to compliance can be found, there will be roughly 750,000 marginal well owners looking to make the same modifications within three years or less. The potential challenges from permitting, availability of equipment, availability of installers, pipeline siting and construction, and financial limits are tremendous.

This collection of requirements, and others, will result in premature closure of currently producing marginal wells and strain the plugging capabilities of the industry. In its Regulatory Impact Analysis for the Subpart OOOOb regulations and the Subpart OOOOc emissions guidelines, EPA included a specific financial analysis of marginal wells. It concluded:

With the available data and the complexity described, we cannot estimate the impacts of the final regulation on the owners or operators of marginal wells.

Earth Science Systems understands the consequences of Subpart OOOOc. Operators of marginal wells have tried repeatedly to explain to EPA that its regulations under Subpart OOOOc would have profound adverse impacts on these wells. Unfortunately, EPA seems content with not knowing what the impact would be.

The Methane Tax

When Congress enacted the Methane Tax, it did not intend to capture these small business producers within the scope of the new requirements. As Senator Joe Manchin stated in his June 6, 2023, letter to EPA Administrator Regan:

- The statute clearly intends to exempt marginal wells and smaller producers from the fee. EPA must make it clearly understood that those entities not subject to the current Subpart W Greenhouse Gas Reporting Program are not subject to EPA fees under MERP.

- EPA should draw reasonable boundaries around the definition of individual "facilities" (such as pad site, compressor site, or reporting field) for emissions intensity calculations so that aggregations of large amounts of disparate wells and gathering lines does not lead to charging a fee on marginal facilities that Congress intended to exempt or on facilities that have minimal actual emissions.

EPA has failed to address these issues in either its proposed Subpart W revisions or its proposed regulations to implement the tax calculation portions of the requirements.

These issues arise because of the fundamental problems of using Subpart W as the basis for calculating the Methane Tax. Subpart W is a component of the Greenhouse Gas Reporting Program (GHGRP). GHGRP is not a part of the Clean Air Act and EPA created special regulations for its implementation. Among these is a definition of "facility" that is not used anywhere else in regulations and is inconsistent with the concept of "facility" in the Clean Air Act. Essentially, the GHGRP defines a "facility" as all the operations within an American Association of Petroleum Geologists (AAPG) basin. For some basins, this is the entire state. Practically, this process means that all marginal wells in the basin must be added together and treated as if they were one large well.

Consequently, when all these small wells are collectivized, they can result in a calculation of emissions that could make them susceptible to the Methane Tax. It is worsened by changes that EPA is proposing in the components that make up the calculation of Subpart W. First, EPA is proposing to change the Global Warming Potential (GWP) for methane from 25 to 28. This change would mean that, whereas 1000 metric tons of methane would equal the 25,000 metric tons threshold in the current Subpart W, the future 25,000 metric tons threshold would be 893 metric tons of methane, roughly an eleven percent reduction in the threshold that was not considered during the legislative process. Second, EPA's proposed revisions to Subpart W generally increase the emissions factors for oil and natural gas facilities. Taken together, these changes can move operations previously below the 25,000 metric tons threshold above it, thus raising the taxable status of these operations.

The same Michigan producer witness also illustrated the challenge his operations face under the Methane Tax. While his company produces primarily oil, it sells a small amount of natural gas such that its threshold for calculation of the Methane Tax would be exceedingly small and thereby subject to the $900 to $1500/metric ton tax if his collective emissions of CO2eq exceeds 25,000 tons. We believe that Congress never intended to create such an unfair economic risk.

The issue is resolvable if EPA could approach the threshold calculation as it would under the Clean Air Act where a "facility" is based on a more realistic definition. For example, in 2016, EPA clarified that its definition of oil and natural gas production facilities required them to be under common ownership and adjacent for multiple wells to be considered as one facility. This rational approach reflects the common understanding of a "facility" and would prevent the basin-wide aggregation of wells that pulls a collection of small wells into the scope of the Methane Tax. Alternatively, EPA could exclude marginal wells from the calculation of Subpart W emissions, at least for the purpose of the Methane Tax.

The Methane Tax creates an exemption if oil and gas producers comply with the Subparts OOOOb and OOOOc regulations, but the Subpart OOOOc regulations will not be in place for 3-5 years. This timing issue eliminates a producer's ability to utilize the exemption provision when the tax takes effect next year. Unfortunately, that may be too late to save small site marginal well owners.

Congress and EPA need to live up to the commitment not to expose "marginal wells and smaller producers" to the Methane Tax. We urge immediate action to produce this result.

Collectively, the Subpart OOOOc regulations and the Methane Tax pose serious and direct threats to hundreds of thousands of marginal wells. These threats have not been remotely addressed in the current regulatory actions completed or pending at EPA. Congress needs to step up and step in to prevent irresponsible agency actions that would savage the nation's marginal oil and natural gas wells.

Sincerely,

Independent Petroleum Association of America
Arkansas Independent Producers and Royalty Owners
California Independent Petroleum Association
Domestic Energy Producers' Alliance
Energy Workforce and Technology Council
Gas and Oil Association of West Virginia
Independent Oil and Gas Association of New York
Independent Petroleum Association of New Mexico
Indiana Oil and Gas Association
Kansas Independent Oil and Gas Association
Kentucky Oil and Gas Association
Louisiana Oil and Gas Association
Michigan Oil and Gas Association
Montana Petroleum Association
National Stripper Well Association
Oil and Gas Workers Association
Oil Producers' Alliance
Panhandle Producers and Royalty Owners
Pennsylvania Independent Oil and Gas Association
Permian Basin Petroleum Association
Petroleum Alliance of Oklahoma
Southeastern Ohio Oil and Gas Association
Texas Alliance of energy Producers
Texas Independent Producers and Royalty Owners
Utah Petroleum Association
Western Energy Alliance

Per an announcement in the Federal Register (FR) FRL-9448-03-OAR, the Draft Inventory of U.S. Greenhouse Gas (GHG) Emissions and Sinks: 1990-2022 is now available for public comment.

To ensure your comments are considered for the final version of the document, please submit your comments by March 15, 2024. Learn more about the draft report and how to submit comments.

About the Inventory of Greenhouse Gas Emissions and Sinks

EPA develops an annual report, called the Inventory of U.S. Greenhouse Gas Emissions and Sinks (Inventory), that tracks U.S. greenhouse gas emissions and sinks by source, economic sector, and greenhouse gas going back to 1990.EPA has prepared the Inventory of U.S. Greenhouse Gas Emissions and Sinks since the early 1990s.This annual report, provides a comprehensive accounting of total greenhouse gas emissions for all man-made sources in the United States, including carbon dioxide removal from the atmosphere by "sinks," (e.g., through the uptake of carbon and storage in forests, vegetation, and soils) from management of lands in their current use or as lands are converted to other uses. The gases covered by the Inventory include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride. Each year since the early 1990s, EPA publishes the draft report in February to allow for public comment prior to publishing the final report by April 15 of this year.

Trends

Key findings from the Draft 1990-2022 U.S. Inventory include:

- In 2022, U.S. greenhouse gas emissions totaled 6,341.2 million metric tons of carbon dioxide equivalents, and 5,487.0 million metric tons of carbon dioxide equivalents after accounting for sequestration from the land sector.
- Emissions increased in 2022 by 1 percent (after accounting for sequestration from the land sector) compared to the previous year. The increase in total greenhouse gas emissions was driven largely by an increase in CO2 emissions from fossil fuel combustion. In 2022, CO2 emissions from fossil fuel combustion increased by 1 percent relative to the previous year. This increase in fossil fuel consumption emissions was from increased energy use, due in part to the continued rebound in economic activity after the height of the COVID-19 pandemic.

Greenhouse gas emissions in 2022 (after accounting for sequestration from the land sector) were 17 percent below 2005 levels.

Explore the Data

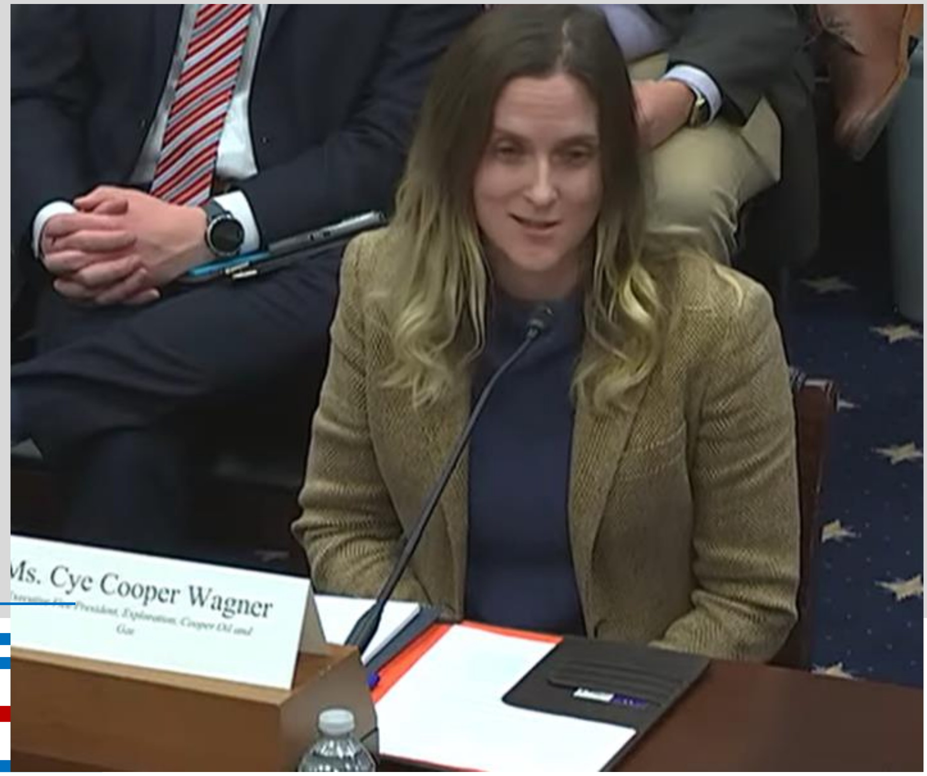
EPA has developed an interactive tool that provides access to data from the national greenhouse gas inventory. Visit the Greenhouse Gas Inventory Data Explorer to create customized graphs, examine trends over time, and download the data.

Note: The Inventory Data Explorer and Data Highlights will be updated with data through 2022 with publication of the final Inventory in April after completion of public review of the draft report.

Burdensome Regulations: Examining the Impact of EPA Regulations on Main Street

DEPA Member Cye Wagner Testifies during hearing.

Members of the House Committee on Small Business hold a hearing to look at how overregulation from the EPA is negatively impacting small businesses and harming American industry.



Chairman Willams, Ranking Member Velaquez, and Members of the Committee, Thank you for the opportunity to submit testimony in today's hearing. The expected adverse impact of EPA's regulations, particularly those related to methane, on small businesses like mine and others across Texas and the nation is of great concern and an important topic to discuss. I thank you for your careful consideration and the opportunity to share my perspective and experience, which is unique. My background is multifaceted in professional disciplines and steeped in real world everyday experience of challenges – and reward – that comes from running a successful small business. I am a past Chairman of the Board – and active current member – of the Texas Alliance of Energy Producers, the 3,000-member strong association of independent oil and gas operators in the state. My experience and role in the Alliance helped to provide me with a deep understanding of how common my experiences are, and the extent to which small business ethos are reflected and shared by other small operators in our industry – not just in Texas, but across the nation.

My Small Business – An Introduction

I grew up in rural North Central Texas and went to school, played sports, and worked in the small communities surrounding us – towns the size of 200 to 3,000 people – total. I graduated from Texas A&M University with a degree in petroleum engineering and a minor in business. In my collegiate and post-collegiate career – I have been fortunate to work with the smallest of the small (my family company), large independents (Burlington Resources, EOG Resources) and up to a super major (Chevron). After graduation and working for a few years for EOG Resources, I decided to ask my father if I could join the family business. It has now been 15 years since I have been running our family business – and in the last 10 years – my husband and brother have joined me in that endeavor as well. We are a true mom and pop – my parents started the business themselves over 40 years ago. We have about two hundred wells across Texas and produce about 450 barrels of oil and a million cubic feet of gas (1,000 mcf) a day. A majority of our wells are in the rural areas where I grew up. Our wells are not ones that make headlines for thousands of barrels a day or millions of mcf of natural gas – they very much marginal producers with only five-barrels of equivalent production per day, and usually less.

I am genetically predisposed to have responsible stewardship in my veins, and for the almost 40 years I have been alive it has been a passion that I will pass on to the next generations in my family. Outside of my role as a second-generation mom and pop oil and gas producer, I am a fifth-generation wheat farmer and cattle rancher. These commodities are the only way of life I have known, and I have chosen to make them not only my career, but my passion to steward these natural resources surrounding us.

Across our business, we employ eleven full-time people including myself and have about twenty monthly contract positions. We also employ even more service contractors across Texas in our operations monthly for whom, it is important to note, the entire company payroll is one or two persons. Our small company is one of the large employers in a multi-county area in Texas that offers 401K retirement, health insurance and paid leave and is a vital piece of the survival of this rural area. We have been in business for 40 years and in that time, we have never taken bankruptcy, nor had massive layoffs or nor taken (or been provided) government assistance – outside of the PPP program during COVID.

Our impact on the communities we proudly serve is significant. The foods we produce help feed people across the state and the country. The ad valorem taxes that we pay from our wells contribute directly to the rural hospitals, school districts, and local municipalities in our operating regions, and the community support that we provide is the lifeblood of the area. The royalties we pay are typically to retirees or elderly whose entire income is that of their social security and royalty checks. In everything I do in both those vital economic and societal endeavors, I am a staunch supporter of clean air, clean water, and doing what is right for our Earth – something I try to teach my two young children daily.

Discussion topics heard in our family are often:

- "This is how we farm this wheat crop responsibly,"
- "This is how we care for these thousands of cattle – all natural, with no steroids or antibiotics – their health, the land they need to graze, and the water they drink,"
- "This is how we hunt, fish, and manage this wild game and their natural habitats," and
- "These are the oil wells that mommy and daddy drilled and produce here in the middle of all of it."

Values of hard work, dedication to community, and good stewardship of our lands and waters have been followed in our industry and businesses for many, many years; we've just never felt the need to advertise it.

We fight against a cyclical market, rising supply and service costs, labor shortages, and more so that our fellow citizens can have the fuels, technologies, schools, and communities that we create and support.

Unfortunately, we did not understand that, as a private industry, we needed to provide greater public information about what we do. We did not realize the massive lack of education about how things are made, touched, and used daily (that are direct and indirect products of our daily toils) and the repercussions of that shortfall to our industry. However, in recent years, we have come to realize that we cannot just sit back and hope the legislators and regulators do what our industry needs to survive and continue to allow us to support our families and communities.

And that is why I am here before you today. To tell my story and hopefully shed some light on the important reality that frequently well-meaning and well-intentioned laws, rules, and regulations, often miss the mark in development and application. But equally important, as you will see from my testimony, much of the regulatory framework at the federal and state level are in place and working.

Are things perfect? Of course not, not in my industries nor any others. However, I am also here to support those in Congress who feel the need to do more for

WITNESSES:

Mr. Brandon Farris, Vice President, Domestic Economic Policy
National Association of Manufacturers

Ms. Cye Cooper Wagner,
Vice President, Exploration
Cooper Oil and Gas

Dr. Lishan Aklog, MD
Chairman & CEO, PAVMed, Inc.

Mr. Michael Green Director,
Climate and Energy Policy
American Sustainable Business Network

Cye C. Wagner, Biography

- Over 15 years engineering experience in multiple basins including Texas and Louisiana Gulf Coast, Permian Basin, Fort Worth Basin, and Barnett Shale in completions, production, drilling, and reservoir engineering in various positions with EOG Resources and Cooper Oil & Gas, Inc.
- Many technical improvements designed and implemented in completion techniques with frac proppant and pump rate design, lateral cement qualities, and completion techniques in both horizontal and vertical wells.
- Drilled and completed over 150 wells in multiple plays and basins across Texas.
- Created and implemented corporate organizational structure for operations, engineering, accounting, and regulatory departments and have over 14 years of regulatory management working with the Texas Railroad Commission, Environmental Protection Agency, University Lands, Texas General Land Office, and the Texas Commission on Environmental Quality.
- Currently serve in an executive management role over the exploration, accounting, human resource, and regulatory departments at Cooper Oil and Gas. Inc.
- Recently completed a two-year term as Chairman of the Board of Directors for the Texas Alliance of Energy Producers, becoming the first female and youngest-serving Chairman of the Board in its 92-year existence. Continue today as an active member.
- Currently serve on the board as Chair-Elect of AWEN – Aggie Women Engineering Network, board member of the First United Methodist Church of Fort Worth Foundation, board member of ADAM – Acquisitions, Divestitures and Mergers – Energy Fort Worth, and helped found, and sit on, the Board of Directors of the Kindness Duck Project, a 501(c)(3) organization dedicated to "Planting, Growing, and Sharing Kindness".
- Received a B.S. from Texas A&M University in Petroleum Engineering with a minor in Business.

small businesses. We should focus on implementing regulations and policy that will help us do our jobs better and encourage partnership with small operators for the betterment of our nation. That would be a productive and mutually beneficial working relationship between the current administration over what seems to be happening – a never ending effort to pursue an assault of regulations and taxation that are duplicitous and punitive for our small business will do more harm to our company, our employees, and the communities we support with no clearly defined benefit to the environment.

We are a voice that is not heard very often, if at all. And yet we are the leading stewards of our great country's natural resources.

Our Operations – Oversight and Regulation are a Part of Daily Life
Many of the super majors and large independents that are typically heard from in the public forum function on entirely different economic scales than our little mom and pop. The marginal wells we operate cannot support implementation of commercially marketed automated monitoring equipment. However, necessity is the mother of invention they say, and we have proactively taken steps – with no requirement from any legislation nor regulation – to monitor and maintain the responsible management of our production. My husband created a production monitoring app on his own that our employees and contractors use to allow daily monitoring of all of our operations across Texas. Again, this wasn't required – this was the right thing to do. Our mom and pop is not alone in that thinking – we bootstrap and scrap in economically efficient ways to protect our producing natural resources – it is a point of pride to do it better and cleaner than anywhere else does in the world.

I also want to give you a sense of what regulated life is like in Texas. We are regulated by the popularly elected Texas Railroad Commission,

and we have a robust set of regulations that we must abide by to be viable operators – in my company, in "oil and gas friendly Texas", we were inspected 297 times in the calendar year of 2023. Since August 1, 2015, my company has been inspected 1,832 times. I am proud to say that we have remained in good standing with the Texas RRC for the 40 years of our existence. Our record of success speaks for itself, and my company is not alone in that record in a lengthy tenure of business – there are other small operator mom and pops just like mine across the country.

Those initial inspections are conducted without notice or warning – we must be always compliant to protect our products as well as the air and land on which we operate – or face fines, penalties or losing our permitted approval to sell our products or license operate at all in the state of Texas. These records of inspection are public – there is nowhere to hide when it comes to our business operations. Again, we (as other small businesses in our industry) pride ourselves on doing it better and cleaner than anywhere else in the world and support fact-based, cost-benefit proven legislation and regulation for our industry. These regulatory inspections from our state officials maintain not only state-mandated rules and regulations, but federal-delegated standards that have been placed in state agencies, and also equipment-design standards set by API standards – we are required to follow all rules and regulations for clean, safe and responsible production standards across every aspect of our operations, and do so better than anywhere else in the world to deliver a vitally demanded product to market.

Oil and Gas Operators in Texas and the Nation - A Success Story by Any Measure
I and my fellow Alliance members are immensely proud members of a

highly technical, everadvancing, rigorously regulated oil and gas industry.

We produce oil and gas for the world cleaner than any other country in the world. In Texas alone we have sextupled our production outputs and lowered our emissions – without the federal government intervention. We did this because we are stewards of our resources, not wasters.

It was in Texas that the highly successful combination of horizontal drilling and hydraulic fracturing was perfected and deployed to scale in the Barnett Shale in the 2000s. (The Barnett Shale is a natural gas production region in north Texas). This is where I began my career after college. Those technologies were then put to work in other producing regions around the country, bringing forth significant volumes of crude oil and natural gas production in the Bakken in North Dakota, the Marcellus in Pennsylvania and others.

That also includes the Eagle Ford Shale in South Texas, from which scarcely a barrel of oil was produced until 2008, but by 2015 was adding over 1.7 million barrels per day to U.S. output.

The most impressive producing region in the country, however, is the mighty Permian Basin, contained primarily within Texas. In 2010, the Permian Basin was producing under 1 million barrels per day and is now producing nearly 6 million barrels per day, generating the same or less greenhouse gas volumes now as in 2010.

That said, crude oil and natural gas production take place in every corner of the state. Of the 254 counties in Texas, some measurable, reportable volume of crude oil and/or natural

House Committee on Small Business

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gas is produced in about 85% of them. Though the Eagle Ford was the shiny new rose in 2008 and after, and the Permian Basin is the behemoth, production elsewhere in Texas comes from a number of legacy fields including the East Texas Field, the Panhandle, North Texas, West Central Texas, the Gulf Coast, and others.

The life cycles of these fields and their producing wells look very similar and are characterized by declining production over a long period of time. That is why the majority of wells in Texas are "marginal", or low volume wells, and a sizable chunk of those are "stripper" wells, producing 15 barrels per day or less, and/or 90 mcf per day of natural gas or less.

The only way to grow production, then, is to drill new wells to replace the declining production from existing wells, and, importantly, to increase productivity and efficiency – more crude oil and natural gas with fewer resources deployed to produce them - and that is what has happened in the Permian Basin.

Even though most of the life of crude oil and natural gas wells is spent with production in decline, the useful economic life of those wells is typically decades long, and the majority of a well's productive life may be spent as a low volume well.

The most recent well count data from the Railroad Commission of Texas is from November 2023, and indicates 240,025 active producing wells, of which 162,789 are producing crude oil and 77,236 are producing natural gas.

Of the 162,789 crude oil producing wells, less than 10% (9.5%) are producing more than 100 barrels per day, which means that over 90% of all crude oil producing wells in Texas are producing less than 100 barrels per day.

Just over 25% of all crude oil producing wells are producing between 10 and 100 barrels per day, and over 65% of all crude oil producing wells are pumping out less than 10 barrels per day At some point, the wells producing over 100 barrels per day will fall into the 10-100 bpd range, and many of those will, in turn, ultimately fall into the less than 10 bpd range.

Of the 77,236 gas producing wells, less than 5% (4.6%) of those are producing more than 1,000 mcf/day, only 488 of which are producing more than 5,000 mcf/day. That means that over 95% - over 73,200 wells - of all producing natural gas wells in Texas are producing less than 1,000 mcf/day.

And most of those are producing less than 250 mcf/day. As of November 2023, 66,381 natural gas wells, or 86% of all natural gas wells, are producing less than 250/mcf per day. And a great many of those are producing substantially less than that.

The national production picture looks very similar. This data makes it clear that the oil and gas industry in Texas (and the U.S.) is an industry characterized by a high number of low-volume wells – and by a high number of smaller to midsize companies that are operating those wells.

This is an effective and thriving business model under market conditions that are not altered by damaging federal government policies that put these wells and companies at risk.

On every single one of these wells:

Chairman Williams:

"Miss Wagner can you elaborate on the way the EPA treats the oil and gas industry compared to renewable energy companies and what do you think the long-term impacts of this forced transition will be."

Cye Wagner:

"Thank you Mr chairman, the difference between a lot of what you see in the green industry and the renewable industry um to which I'm very familiar with. We have wind turbines on a ranch of ours that's in my family land, so I have seen what happens when the big Renewables come to the small towns, and what they do, and a big push from the EPA, and a lot of people that support more regulation, is that the jobs that will go away in my industry because this duplicitous regulation that's coming.

Like I mentioned in my testimony I'm highly regulated already. I'm a marginal well producer I know what resources are coming out at the well head and what I'm selling, and if there's a loss anywhere between those two points I'm looking at it before any regulator, because I cannot afford to have a leak, a spill or anything else. So those regulations are erroneous, and would cost the jobs in the community and the lifeblood in those small towns. When the Big Green companies come in it's a temporary job a lot of people, you hear the rhetoric, that there are green jobs out there for everyone that leaves the oil and gas industry, because fossil fuels are bad and they're all going away. Well, we need fossil fuels. We need them for the medical products that the good doctor has talked about here. Those jobs did not come to our small town and stay. There were temporary guys that came in, and the green companies that come in have wonderful subsidies and grants and things that the federal government has done for them, that do not get reinvested into Main Street USA. Its very different than the oil and gas economy. So while they're getting helped, we're getting hindered. Thank you."

- Employees and contractors are paid to service and manage their operation and production on a daily basis.
- Payments are made monthly to working interest and royalty interest owners, and for many, this may be an important addition to monthly household income; further, the spending of these dollars represents an important infusion of activity as it ripples through the local and state economies.
- Ad valorem taxes are paid to municipalities, local school districts, and hospital districts in their areas of operation based on the reserves these wells are producing.
- The state budget is supported by severance tax payments, the sales tax, and other direct tax payments by oil and gas operators in Texas.

The loss of one third to one half of these wells as a result of the EPA's vast regulatory overreach represents an unimaginable negative impact to these regions of the state and the communities within them.

It is true that, while these wells comprise the vast majority of wells in Texas and across the U.S., the volume of production from those wells does not. However, the volumes are not statistically insignificant, and the lost production from one third to one half of those wells would represent a shortage in production that would either raise prices to consumers, have to be replaced with imports, or both.

Virtually irreplaceable, however, are the jobs, direct payments on production, local taxes, and local economic support provided by the ongoing existence and operation of these wells.

Shutting in a massive number of wells in Texas and the U.S. and imperiling a great many of the companies that operate them represents a set of nasty trade-offs for the policies now being put in place by the EPA, and we should not pretend they do not exist.

Conclusion

The regulations being discussed in this hearing would not only be of high cost to my small generational family business and no benefit to the environment, but also detrimental to so many that we uplift with our jobs, contract work, tax dollars, royalties, donations and more in our important, vital, rural but often unheard from and underrepresented communities. Further, it has been touted elsewhere by supports of the IRA tax and the related regulations have industry supported, and that is not quite correct. That support comes from very large super majors that employ thousands and thousands of employees, with vast operations and resources to pass those costs on to consumers.

I can assure you that methane regulations that provide no credible environmental gain and provide certainty of increased operational costs for companies like mine and will hurt all I have discussed today – my small family business, the local rural economy, schools, hospitals and community members. Those regulations will not hurt every major company whose name is on the signs at your corner gas station.

In closing, I and my fellow Alliance members are proud stewards of the lands and waters in which we operate and provide the energy that makes the economy, and the world, go-round. We proudly supply products and byproducts that have given the world a way of life that would not exist otherwise. We understand and support the need and vitally important role of state-based regulation of emissions as well as other facets of our industry. The current successful state-based framework is where oversight and enforcement should remain.

I would be happy to answer your questions. Thank you.

Spotlight on Technology

Frank Stepic, Chief Technology Strategist, Sabel Technology Systems Solutions

Part III Continue the Digital Twin Concept

Automate and Predict

Introduction

This is part III of our three-part series about Digital Twins (DTs). In Part I, we discussed aligning your solutions to your organization's biggest challenges and goals. Part II defined some common types of Digital Twins, their benefits and components. In this article, we'll examine the true power of generating these DTs – being able to predict and simulate using automation and rising AI technologies.

At the end of this article, I'll list some groups I've worked with using their DT solutions with good results but there are many and I would encourage you to check out several before you pick one that's best for you. Also, the concepts of predictability and simulation can be achieved in many ways, you may want to start with a conference room exercise or a spreadsheet.

Taking the Journey

If you have started your journey using Digital Twins, you may have several efforts in different stages of development. You've probably also achieved some unanticipated victories along with failures in areas you were sure would work. Despite these setbacks, my advice is to keep going, your DTs (even if imperfect) will allow you to take advantage of powerful technologies for making change and putting you in a position for better competitiveness and readiness. You are also asking, 'Now that I have these things, how can I use them?' In some cases, the answers are easy: fix systemic gaps or holes, adjust or replace when necessary. But that is similar to the success you saw using Lean, Six Sigma, Agile and the rest of the project philosophies. So what's the difference? Two things: (1) In the past, methodologies focused on measuring data about your business and getting the most out of a targeted something (process, metric, customer focus). With a DT, you now should have a design of the objects that comprise your business – shop floors, worksites, product designs, multi-layered process maps (data across, not just within your portions of your enterprise), and (2) there exist powerful software solutions to model your DTs and support the creation of automations, predictions and simulations. With these pieces, you now have the ability to simulate and predict for not just one measure but whole systems and setups at once!

Automate

The first way to realize benefits from your digital twin is to become more agile through automation. The term Robotic Process Automation (RPA) has been around since 2019 and the concepts and tools have existed since the 1970's. The topic deserves it's own article but using RPA to automate challenging or non-value add parts of your DT is a great way to start getting benefits. RPA allows you to perform digital hand-offs where they did not exist before but you were able to identify in building your DT. This automation can be 'attended' or 'unattended' meaning you are able to mimic and perform repetitive tasks (mouse clicks, browser actions) normally done on your computer (attended) vs. actions done behind the scenes between systems and data stores (unattended). Common RPA tools include Microsoft Power Automate, UIPath, IBM RPA, and Automation Anywhere (+ many more). Advantages of using automation:

- Automation routines will reduce errors caused by humans and allow your team to work on higher valued tasks,
- Higher speed for transactions not constrained by human performance, also not subject to vacations, sick day absences or organizational changes,
- Typically simple to create, you may be able to empower your team to create and implement these automations, and
- Creating a connected enterprise, exchanging data between areas of your business that did not exist prior.

Ultimately, these benefits get your organization closer to executing and focusing on your most important mission which is delivering for your customers.

Measure, Monitor, Anticipate and Predict

If possible, I highly encourage you to create a visual representation of your Digital Twin. If so, you'll see key metrics in key junctions of your enterprise, hopefully you have assigned stop light or warning levels where important, and aggregate progress toward daily/monthly/annual performance to targets. This visual representation is allowing you to measure and monitor real time. Once you've established this DT, it's not a leap to want to predict based on current issues and extended time tables. When you defined your DT, you probably focused on machine time, pump up-time, output and profitability. In order to explain what you see in your DT, now you may want to include measures such as:

⇒ Equipment age and reliability

⇒ Employee productivity

⇒ Regulation effects

⇒ Market prices

This additional data will help you adjust and measure with a more informed model and accurately understand and react when challenges appear. All these will feed into and produce a set of mathematical models representing your areas.

Now you want to take advantage of the new AI concepts you've heard of and the software vendor promised – YOU WANT TO PREDICT, not just react. Here's where math enters the picture, you want to know where your breaking points are and what can be optimized. You may remember those parts of Trigonometry or Calculus where the focus was evaluating the max, min, undefined, factor reconciliation, and all the other functions that made your head spin. There are products today that allow you to use your DTs with simulated scenarios and suggestions for improvements. The example everyone considers is you generate 100 BPD and you're asked to adjust to 150 or 200 or more. These DT models will allow you to make those simulations and predict where the weaknesses and risks reside. Once you have a detailed understanding of the power of your DT, you will also be in a better position to take on head winds and challenges (e.g. see 'Impacts that will be felt if halting permits for US LNG Export facilities').

I've shared a lot of information in this article and I'm sure you have additional questions and want more details. Feel free to reach out directly to me at frank.stepic@sabelsystems or call at 512-992-5760.

With this being our fourth article, I would also like to ask for you feedback and suggestions for this column. Please reach out and I'll include as we move forward.

Frank Stepic is currently the Chief Technology Strategist for Sabel Systems, supporting alignment of new technologies and capabilities with clients in multiple industries including Energy, Defense, and Aviation. Mr. Stepic has over 30 years of experience in strategic digital concepts and their implementation in high-tech manufacturing, strategic digital mergers and acquisitions, and enterprise technology planning.

The bulk of his career of 20 years was spent at General Electric where he served in roles comprising manufacturing quality, data architecture, digital transformation, mergers & acquisitions, program management, six sigma, operations, and business development.

He is currently focused on the use of technology to improve innovation in the Energy, Aviation, Additive & Organic Manufacturing, and Medical industries with the use of leading-edge technologies and the development of advanced metrics and methods.

Mr. Stepic graduated from the University of Cincinnati, with a B.S. in Aerospace Eng in 1991 and an M.S. in AsE Propulsion and Structural Analysis in 1998.

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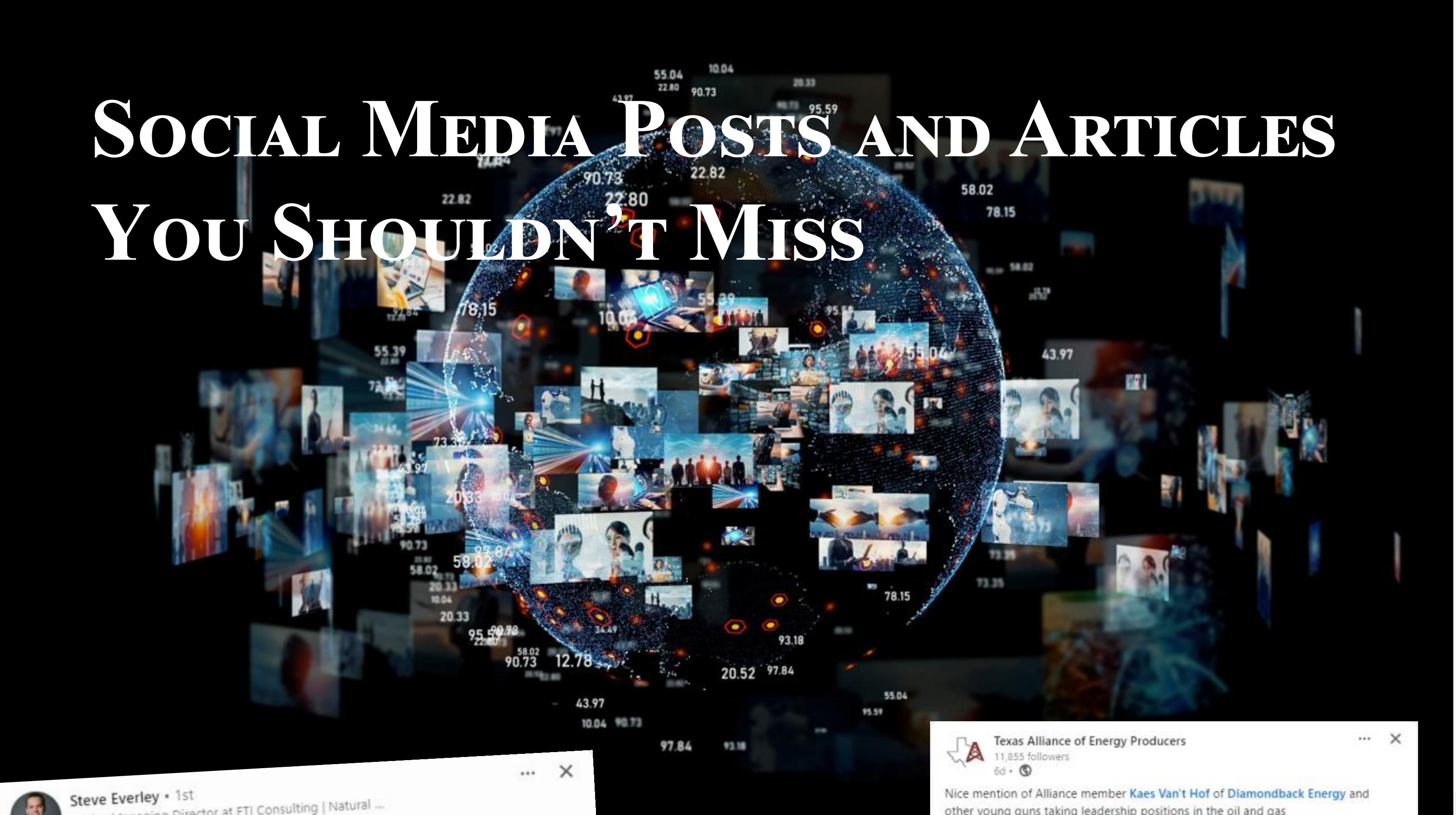

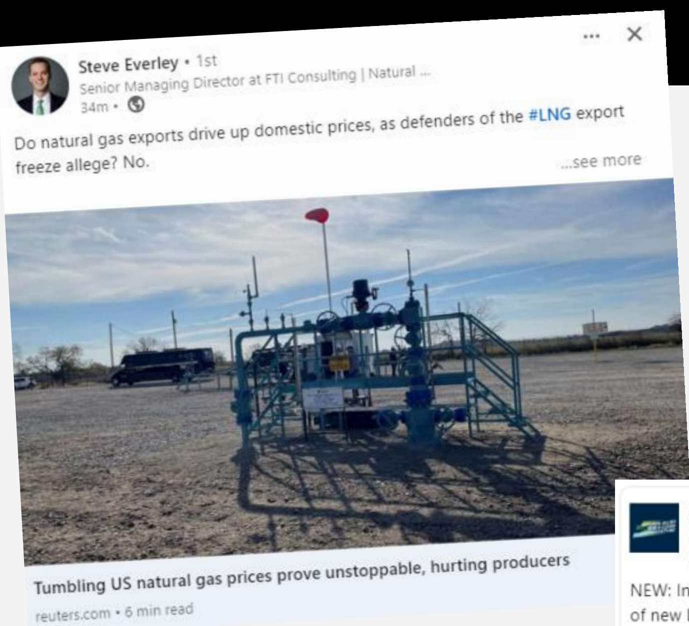

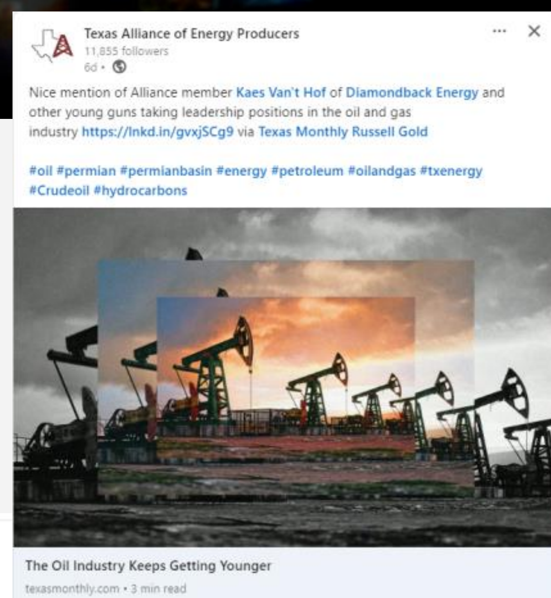

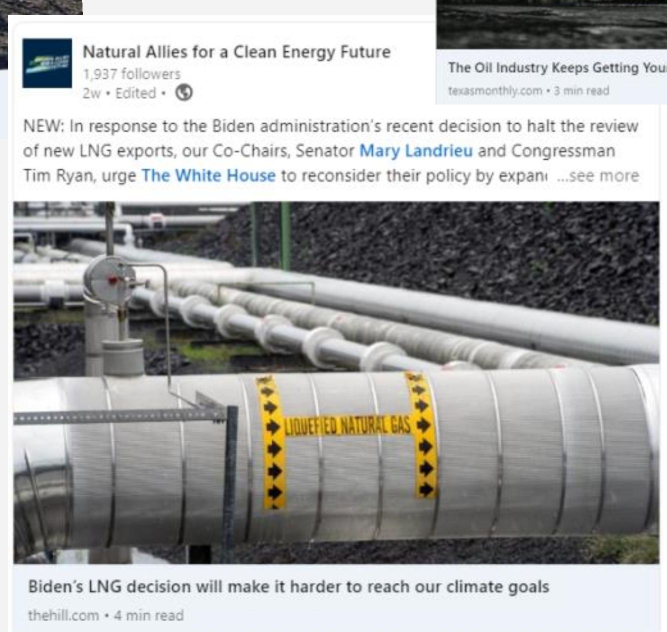

Chet Thompson • 1st
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1w •

This week, American Fuel & Petrochemical Manufacturers (AFPM) launched a campaign to bring attention to this administration's whole-of-government effort to ban the sale of new gas and diesel-powered cars and trucks. We must stand up for consumer choice and energy security.

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Jennifer Granholm • 3rd+
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1h •

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"It sadly took Putin's war, but even the most climate-fixated nations are realizing that wind and solar are much more supplemental than alternative, especially when it comes to trying to displace highly reliable, available, and cleaner natural gas."

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https://lnkd.in/gvJsFKjA

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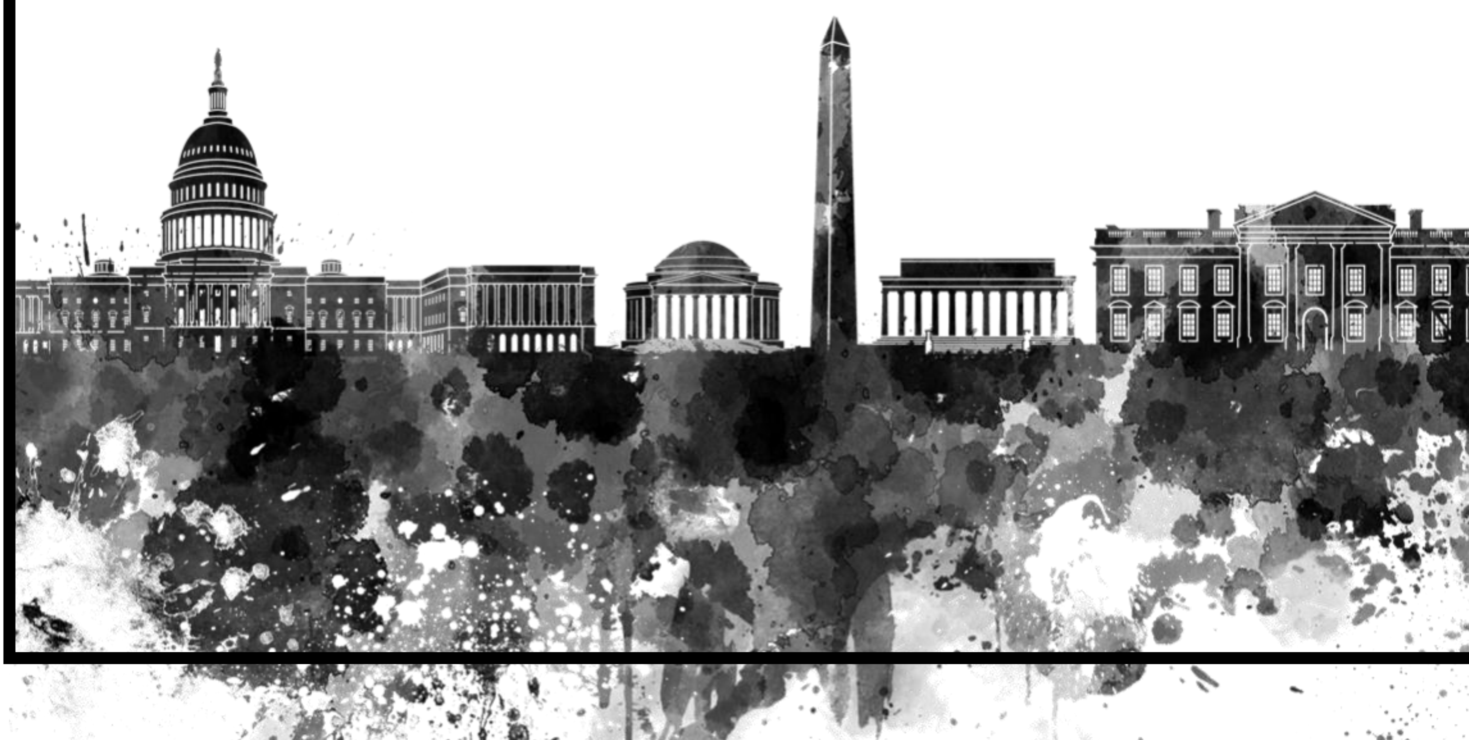

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