



A WAVE OF TEXAS OIL

BALCONES SECTION OF
SOCIETY OF PETROLEUM
ENGINEERS

APRIL 5, 2022

“MADNESS...”

- “Climate activists are sometimes depicted as dangerous radicals. But the truly dangerous radicals are the countries that are increasing the production of fossil fuels. Investing in new fossil fuels infrastructure is moral and economic madness,” said **United Nations Secretary General António Guterres, April 4, 2022**
- Fossil fuels supply 84% of the world’s energy demands today
- 40% of the globe do not have access to clean fuels for cooking and heating
 - ~ 3 billion people lacking access to clean, modern energy
- Expected 50% increase in energy demand by 2050

BACKGROUND

- **Texas Department of Agriculture** – Commissioner Todd Staples
- **Texas House of Representatives** – Representative Drew Darby – Energy Resources Chairman
 - House Bill 40
 - Budget Work
 - Oil & Gas Legislative Items: seismicity, transportation, Sunset Commission
- **Railroad Commission** – Commissioner Christi Craddick
 - Budget: plugging, personnel and IT Mainframe Transformation
 - Proration
 - Flaring



- 2,600 Members: Independent operators, particularly small, family businesses
- All facets of upstream
- 90+ years in operation
- Representing in Austin and Washington DC
- Economic Analysis: Texas Petro Index

TEXASALLIANCE .ORG/DAILY- MARKET- INFORMATION/

- Posted Prices for
 - North Texas
 - West-Central
 - East
 - South

Daily Market Information

NYMEX Natural Gas Futures

Updated: 10/6/2021

10/6/2021 Opening Price: \$6.32

10/5/2021 Closing Price: \$6.31

NYMEX Light Crude Oil Futures

Updated: 10/6/2021

10/6/2021 Opening Price: \$79.04

10/5/2021 Closing Price: \$78.93

Physical Gas Delivery Prices

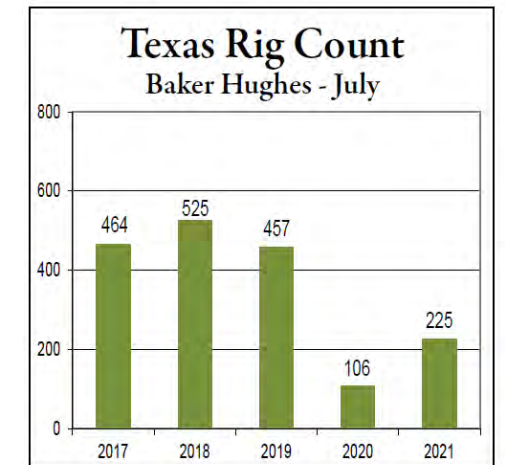
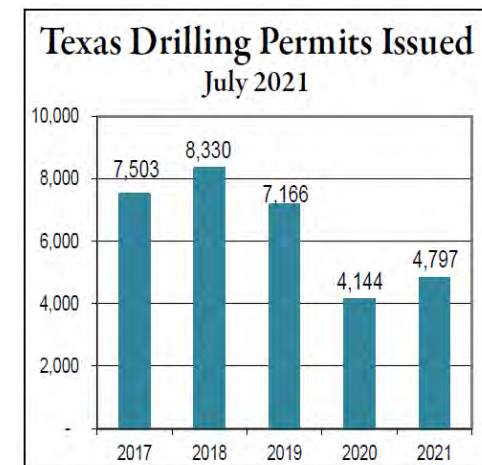
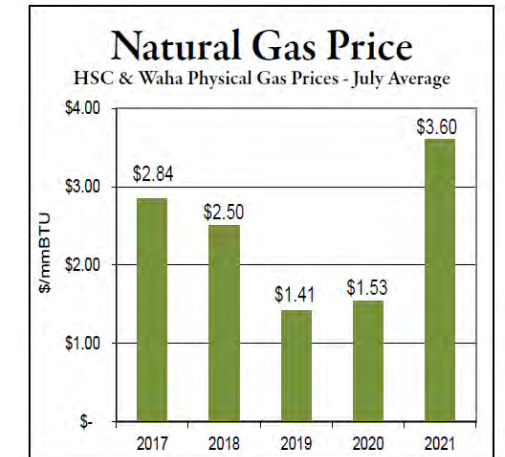
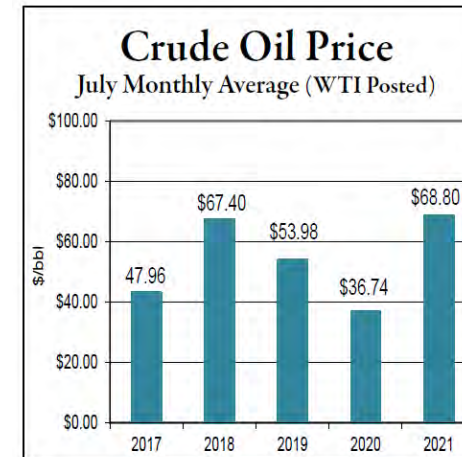
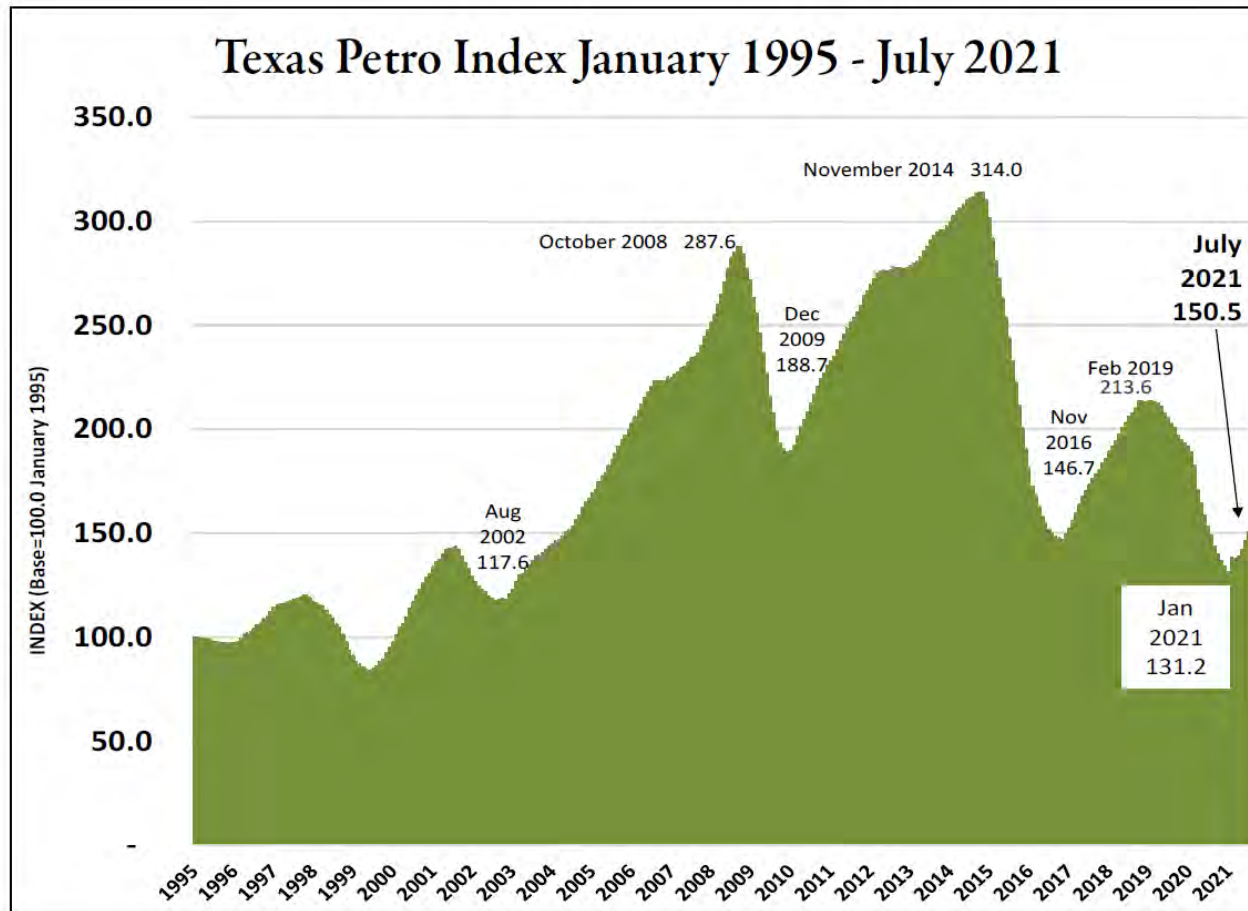
Updated: 10/6/2021

Delivery Point	Price
Henry Hub	\$6.23
Houston Ship Channel	\$5.96
Katy Hub	\$6.01
NGPL/Midcon	\$5.89
NGPL/TX/OK	\$5.93
Waha Hub	\$5.76

TEXAS PETRO INDEX:

BY KARR INGHAM, PETROLEUM ECONOMIST

150.5



ALLIANCE ACTIVITIES

- Golf & Conferences
- Zoom Webinars
- Social Media
- Daily News Clips, Weekly and Monthly Regulatory Updates
- Insurance Programs
- Celebrated 90 Years in 2020



ALLIANCE YOUTUBE CHANNEL

- Alex Epstein – Energy Talking Points
- Congressman Dan Crenshaw
- Railroad Commissioners Wayne Christian and Christi Craddick
- Chris Wright, CEO Liberty Oilfield Service

TEXAS Alliance of Energy Producers

HOME VIDEOS PLAYLISTS CHANNELS DISCUSSION ABOUT

Uploads PLAY ALL SORT BY

U.S. Congressman Vicente Gonzalez - Alliance Annual...
7 views • 3 days ago

Debunking Climate Change Myths and Misinformation ...
18 views • 4 days ago

Dr. Helen Currie, Chief Economist, ConocoPhillips...
21 views • 5 days ago

Mike Howard Keynote - Alliance Annual Conferenc...
20 views • 1 week ago

Energy Beat: Debunking Flaring Misinformation
2 views • 1 month ago

above 160,000 jobs. While production has started to return to...
ENERGY BEAT: Texas Policy Index Midyear Update

Spotlight on the Issues
Join us for Our Next Webinar
Wednesday, June 30, 10:00 a.m. CT
JODEY ARRINGTON
U.S. House of Representatives

The Texas Alliance of Energy Producers
The Truth about Methane Emissions in Texas

Spotlight on the Issues
ALEX EPSTEIN
The Moral Case for Liquid Fuels

leases in Alaska's Arctic National Wildlife Refuge that...
Biden Suspends Oil Leases in Alaska's Arctic National Wildlife Refuge

INSURANCE

Relationship with Boley Featherston and One Star Insurance Solutions since 1987, offering Alliance members:

- Property, General Liability, Business Auto, Pollution
- Umbrella Liability
- Workers' Compensation
- Control of Well and Oilfield Property



**Texas Alliance of Energy Producers
Healthcare Initiative Program**

Level-funded Group Health Benefits Program featuring healthcare benefit savings as compared to traditional coverage options.

Presented By





Through the Years

NTOGA 1930 - 1937

On January 18, 1930, a group of about 50 independent oil producers met at the brand new Wichita Club in downtown Wichita Falls, Texas, to protest "the recent drastic price cut in crude oil, inaugurated by some of the major purchasing companies."

They drafted and voted upon a resolution, acknowledging what was popular opinion at the time: that crude oil is a very precious, finite resource, and it "should be conserved in every way possible, for the welfare and happiness of this and other generations [...]"



P.B. 'Barney' Flynn

One week later, on January 25, 1930, the group of independents formally organized and became the **North Texas Oil and Gas Association (NTOGA)** - one of the Alliance's founding associations.

P.B. 'Barney' Flynn was elected NTOGA's first President.

A Board of Directors was selected, bylaws were adopted, and a dues structure was established (\$100 for the largest producers to \$10 for producers of small quantities of crude oil).

NTOGA's agenda quickly expanded to include support of a tariff on imported oil, prorationing, property taxes, common carrier status of crude oil pipelines, oil field thefts and membership.



The industry's disappointment over the ability of the Railroad Commission of Texas (RRC) to enforce prorationing laws led to an effort in 1933 to abolish the elected terms of the commissioners and to have the Governor appoint



J.S. Bndwell

The resolution committee then reported, and the resolution drafted by them was read by the Secretary, and approved by those present. The resolution:

"We deplore the recent drastic price cut in crude oil, inaugurated by some of the major purchasing companies, and feel that such a reduction in price is not for the best interest of the oil industry. This cut is a severe blow to this entire community, and we feel that it is unfortunate that you deem it necessary to take this action.

We call attention to the fact that the production in this area is approximately the same now that it has been for the past ten years.

The operators attending this meeting have felt that proration in new and flush fields was going to take care of the situation, and stabilize the price of crude for the year 1930. Apparently this is not the case. We therefore urge you to restore the price of crude to its former place, and you can rest assured that we will cooperate in every way possible, in this district, to shut down the drilling of every well that it is not absolutely necessary to drill, until conditions become better.

We further believe that this bespeaks the attitude of all of the independent oil operators in the Mid-Continent Field.

We realize that crude oil is a very valuable, natural resource, and should be conserved in every way possible, for the welfare and happiness of and other generations, and we see no reason why constructive program of conservation cannot be into operation in the Mid-Continent Field, so this most valuable product can be conserved; and we believe that this is possible, providing the major oil companies are as willing to cooperate this movement as are the independents."

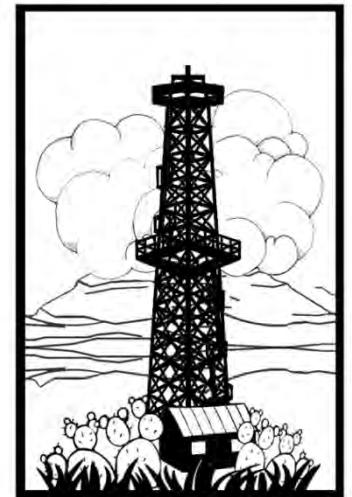
The resolution committee further recommended to the that the following telegram, addressed to E. B. Reed, President of the Barnsdall Oil Co., be endorsed and him:

"We urgently commend the position you took Friday the Tulsa meeting, in deploring the price cut in Mid-Continent crude by some of the major purchasing companies, as we too believe that it is not for the interest of the oil industry at this time; this the unanimous expression of one hundred and fifty our local operators assembled here today."

This recommendation was unanimously approved.

There being no further business, the meeting adjourned.

Chairman



WeCTOGA

ALLIANCE POLICY WORK

- Texas Produced Water Consortium – Policy Co-chair
- Texas Methane & Flaring Coalition
- Seismicity Workgroup
- Texas Energy Reliability Council support
- Commissioner Wright's Energy Education Task Force
- Federal partners: IPAA, AXPC, DEPA, NSWA
 - EPA/SBA Methane Small Business Advisory Member
 - Tax Policy

OUTLINE

- 87th Texas Legislative Session & Interim Work
- Global Energy Crisis: Europe, Asia, US
- Headwinds: policies designed to harm domestic production of oil/gas
- Changing Message: Lifting billions out of poverty, reshoring manufacturing jobs, meeting the world's challenges
- Action: Must be involved in organizations, proud to work in oil/gas, engage in elections and with your elected officials
- Q&A

87TH TEXAS LEGISLATURE

- Winter Storm Uri
- Many Good Oil and Gas Bills Passed and Signed into Law
- Bad Bills Stopped
- Budget & Rulemaking Items

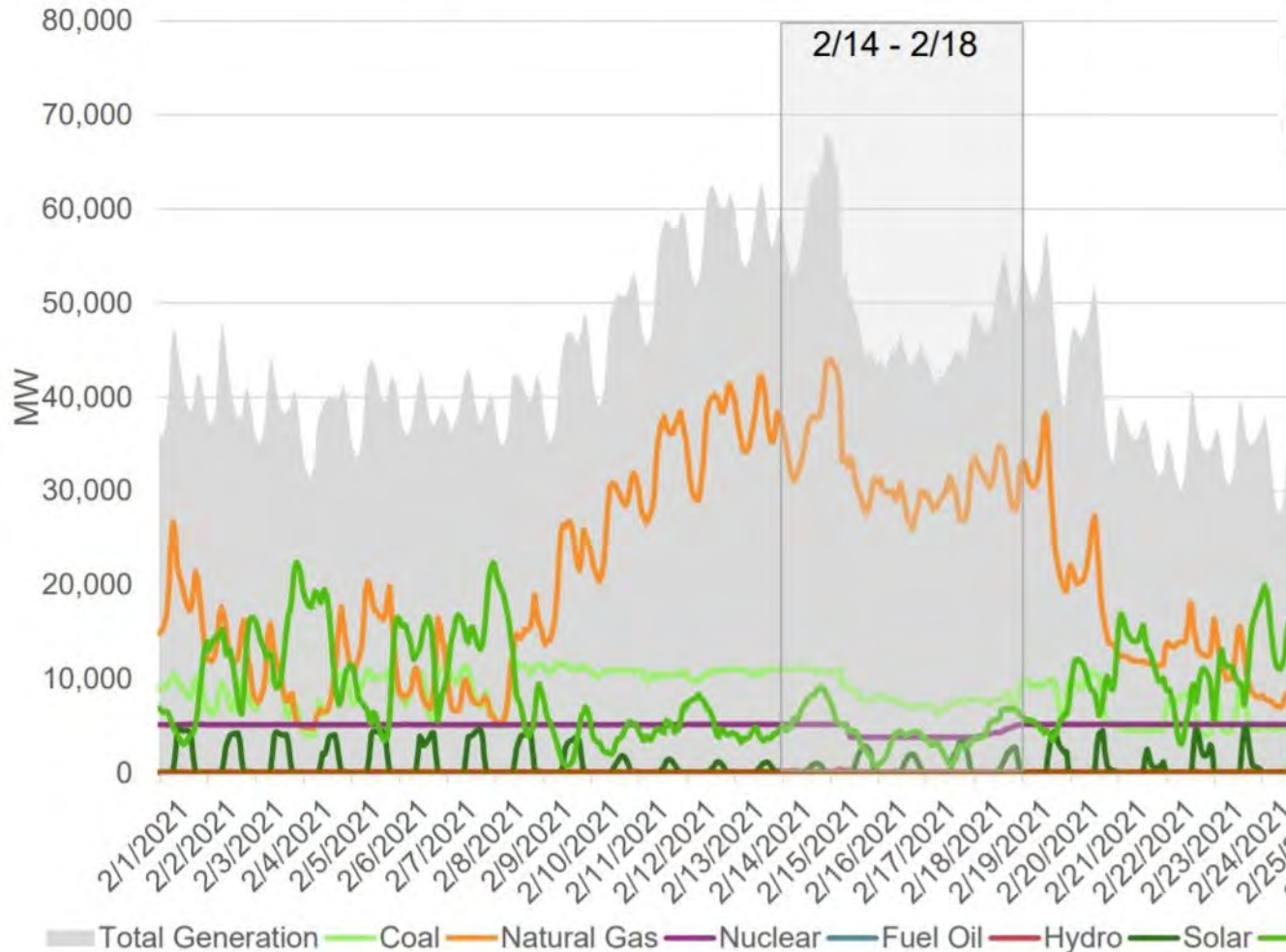
KEY STATISTICS

- A total of 6,927 House and Senate bills were filed
- Of those 1,073 became law
- Alliance testified 13 times
- Attended dozens of hearings on the House and Senate side
- Registered positions on over 40 bills being heard
- Tracked 228 pieces of legislation throughout the 140-day session

WINTER STORM URI

- Winterization before the storm:
 - Heating equipment
 - Methanol injections or other chemicals to reduce ice build-up
 - Lowered fluid levels in storage due to both ice and the inability to get pumper trucks back in for an unknown period
 - Third-party monitoring and support
 - Prepare their field operations with regular updates on the storm and conditions.

February ERCOT Hourly Electricity Generation by Fuel Type



BUSINESS // ENERGY

Texas natural gas production fell by almost half during storm



Paul Takahashi

Feb. 25, 2021 | Updated: Feb. 25, 2021 8:56 a.m.

BUSINESS

'A wake-up call': Feds say lack of weatherization, natural gas supply at root of Texas blackouts

Paul Takahashi, Staff writer

Sep. 24, 2021

BUSINESS // ENERGY

UT report: Failure of natural gas system 'exacerbated' winter storm blackouts



Paul Takahashi

July 13, 2021 | Updated: July 13, 2021 4:21 p.m.

LEGISLATIVE RESPONSE

- Problems
 - Electricity was the main one, but it was not the only issue.
 - Roads
 - Weather and ice
 - Telecom
- Solutions
 - Communication
 - Critical Infrastructure designation and load resource program
 - Supply Chain Mapping
 - Gas is necessary for home heating & electricity and need more of it

GOOD BILLS SIGNED INTO LAW

- Preserving Customer Choice for Natural Gas Service – House Bill 17
- Eminent Domain Reform – House Bill 2730
- Oil & gas anti-bds – Senate Bill 13
- Produced water consortium – Senate Bill 601
- Offset wells on state lands – Senate Bill 1258
- Suspended royalties – Senate Bill 1259

BAD BILLS STOPPED

- Flaring Ban
- TCEQ Expanded Air Permitting
- Raising Well Bonding Requirements

BUDGET

- **Senate Bill 1** – Meets RRC staffing and IT modernization goals without raising fees or taxes and funds phase two of an IT mainframe computer transformation.
- **Study on the Oil and Gas Regulation and Cleanup Fund Revenue Streams.** The Commission shall conduct a review of the different sources that contribute revenues into the Oil and Gas Regulation and Cleanup Fund, as well as expected revenues going forward through 2025 based on its existing fee and fine structure, and review both their rules and statutory caps that determine the amount of those fees and fines.
- **Strategic Plan on Flaring Data.** The Commission shall develop a strategic plan to evaluate natural gas flaring data reported to the commission and available data from the Commission on Environmental Quality and evaluate solutions to clarify the discrepancy in flaring data.

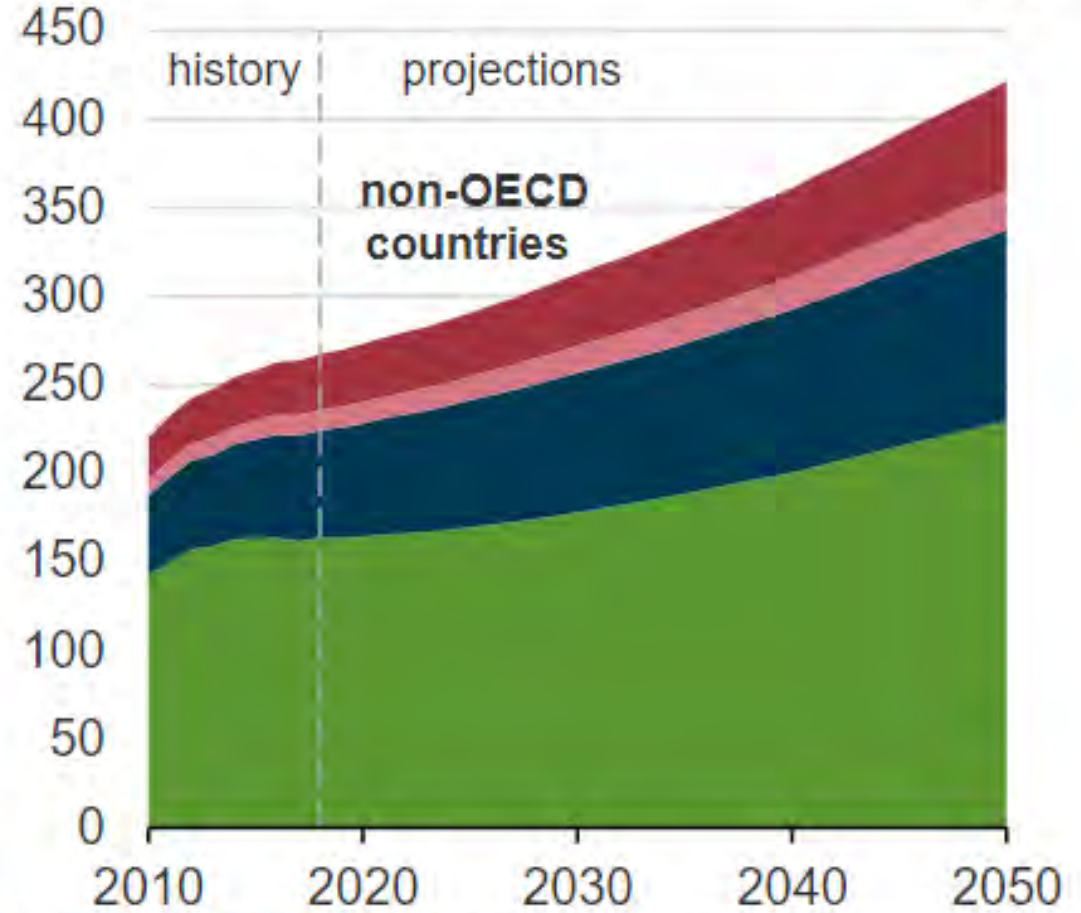
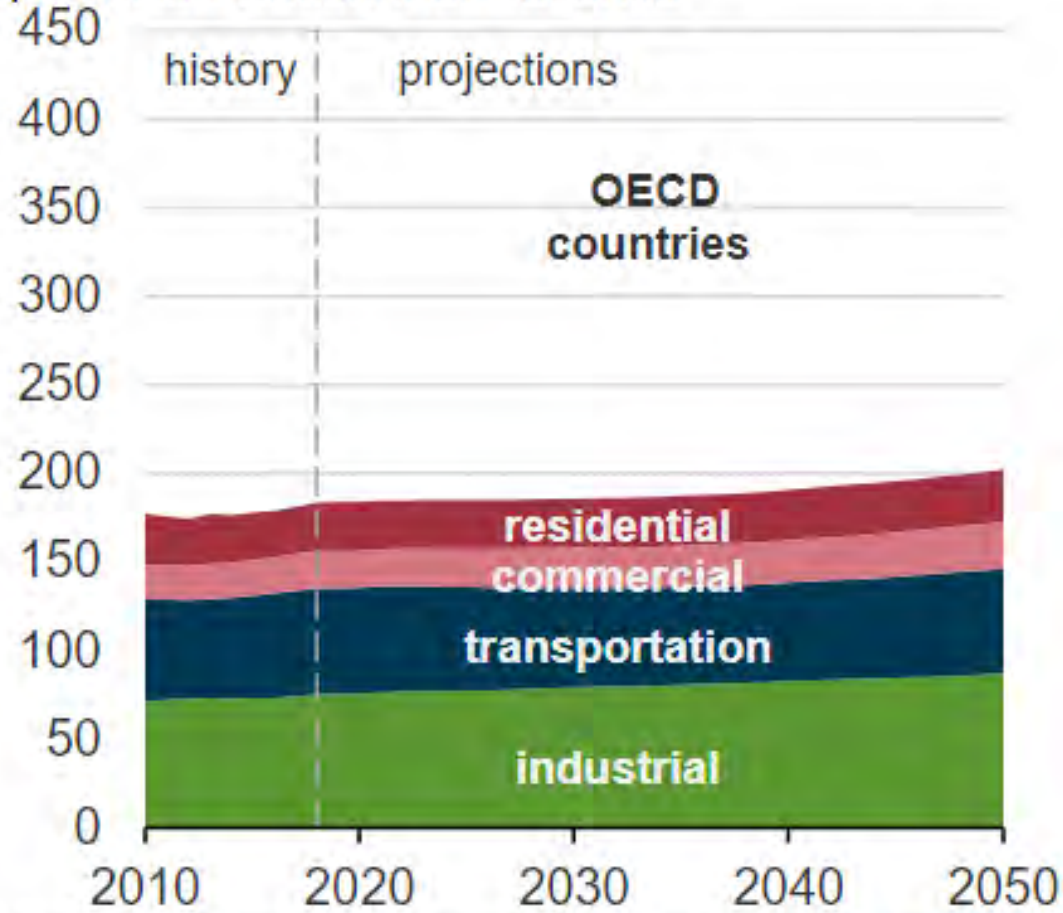
RULEMAKING

Winter Storm Uri Response:

1. Critical Designation
2. Supply Chain Security and Mapping Committee Map
3. Texas Energy Reliability Council
4. Weather Emergency Preparedness Rules, Inspections and Penalties

Global energy consumption by sector (2010-2050)

quadrillion British thermal units

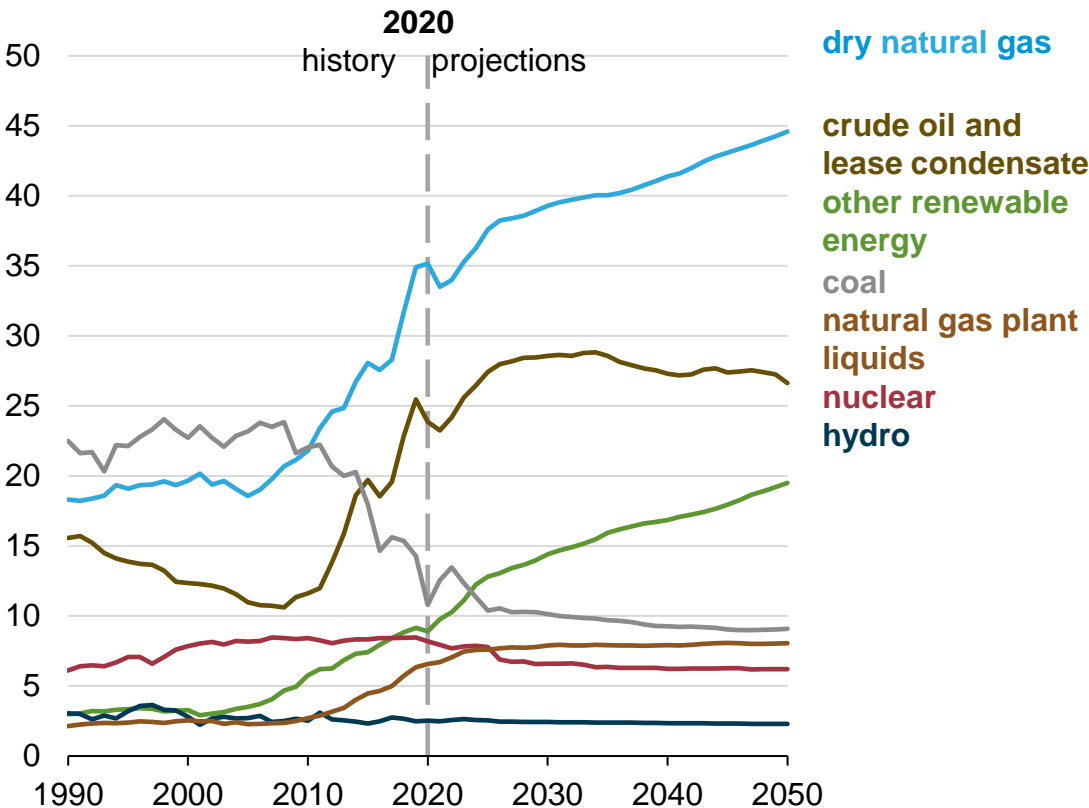


Source: U.S. Energy Information Administration, [International Energy Outlook 2019](#) Reference case

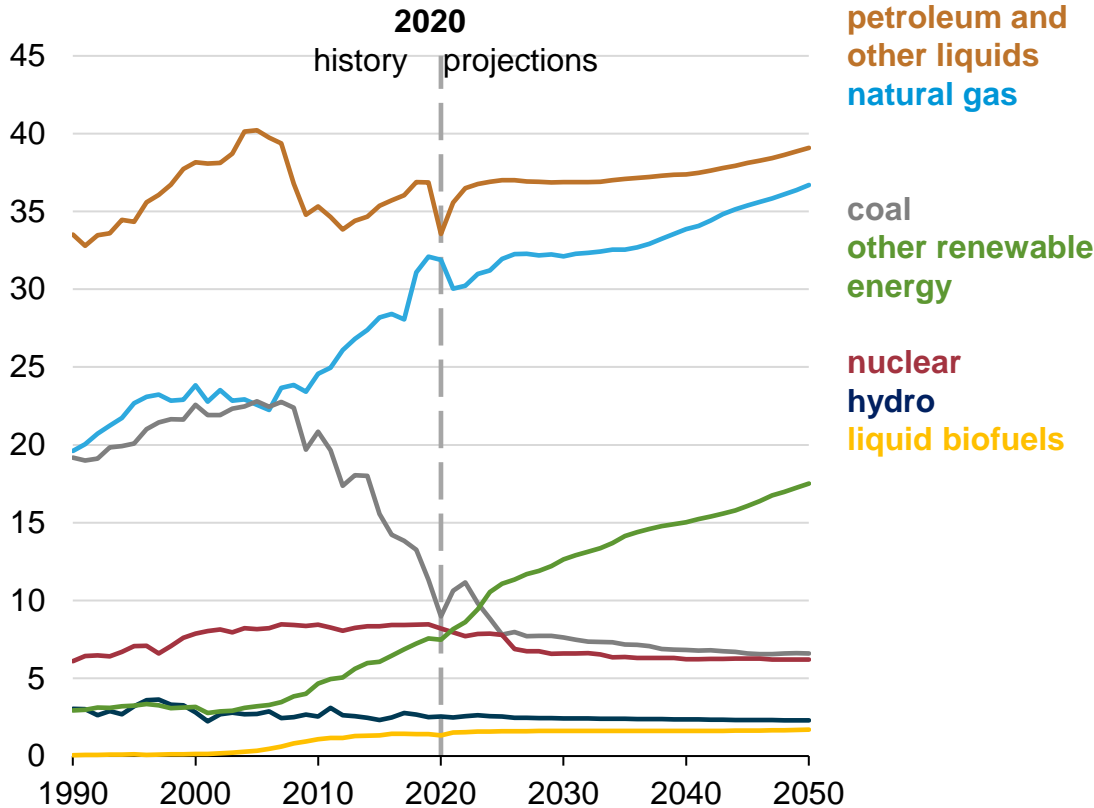


ENERGY PRODUCTION AND CONSUMPTION

Energy production by source
AEO2021 Reference case
quadrillion British thermal units



Energy consumption by fuel
AEO2021 Reference case
quadrillion British thermal units



GLOBAL ENERGY CRISIS

- Europe
- Asia
- US

ENERGY • EUROPE

No signs of stopping: Gas prices in Europe just hit another record

BY KATHERINE DUNN

October 5, 2021 8:11 AM EDT

Energy sector

Power crunch in China and India stokes global growth anxiety

Two big Asian economies drive worldwide GDP expansion but coal shortages are hammering output

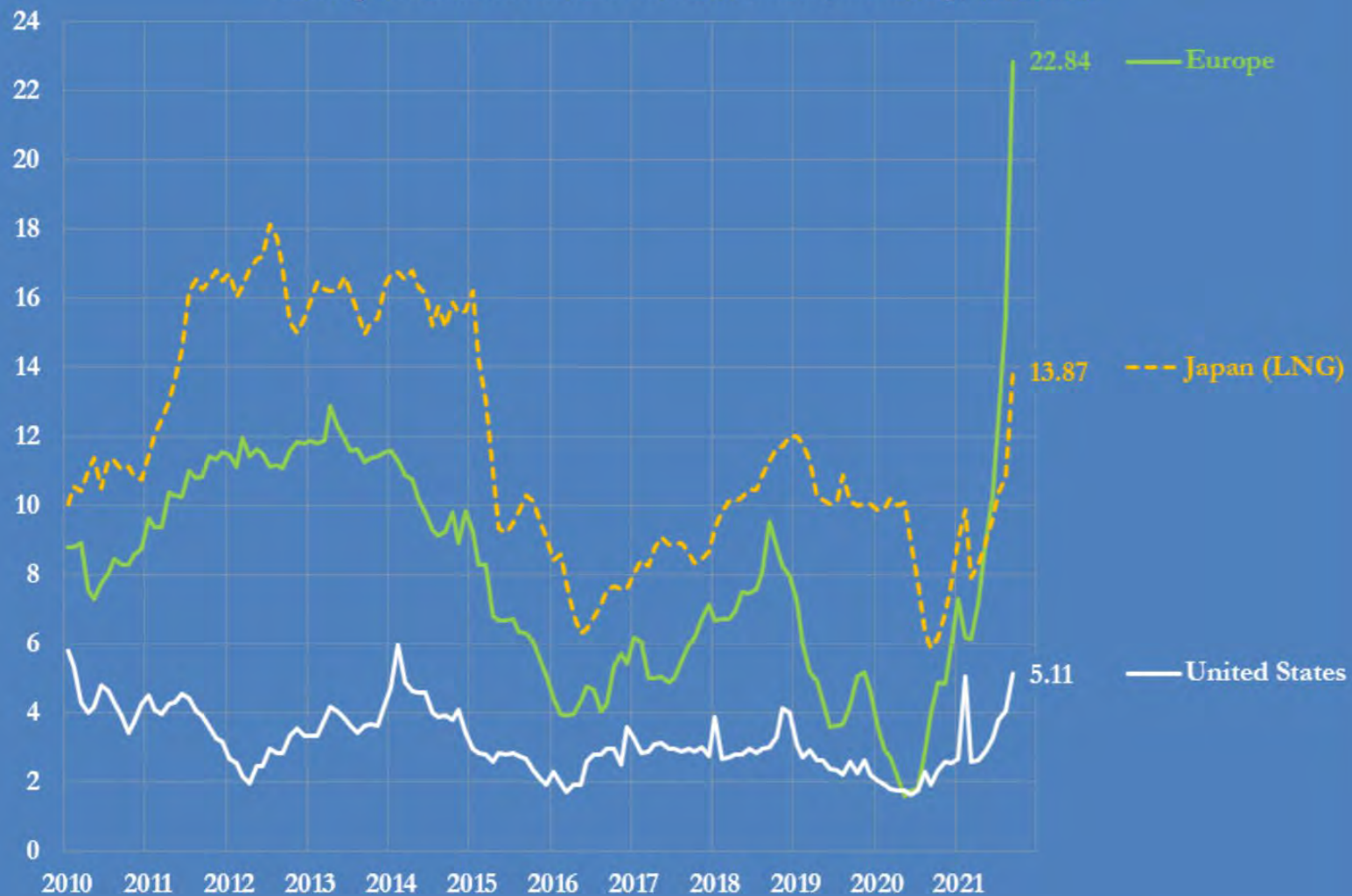
Newsweek

OPINION

The Worldwide Energy Crunch is a Dire Warning for the United States | Opinion

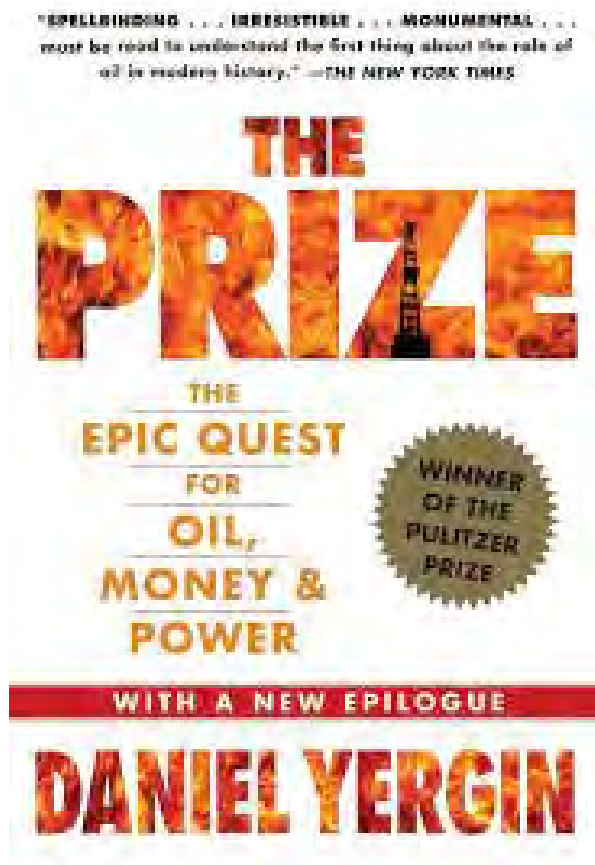
Global natural gas prices, 2010-2021

U.S.\$ per million British thermal units, monthly, *nominal*



Source: World Bank

@JKempEnergy



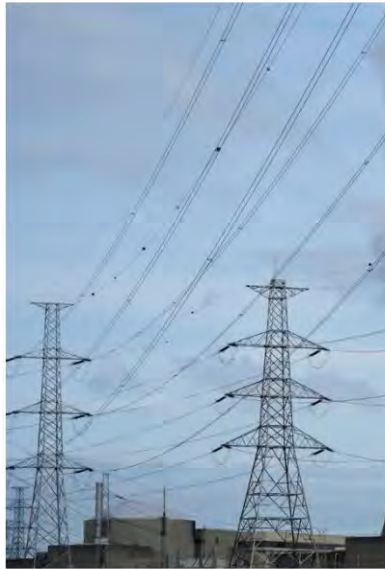
CHAPTER 9: THE BLOOD OF VICTORY: WWI

By October 1918, the situation of Germany with respect to oil was desperate as Germany was anticipating a crisis in the coming winter and spring, and within a month a worn-down Germany surrendered. The impact of oil in the war is eloquently summed up by Lord Curzon of Britain, "The Allied cause had floated to victory upon a wave of oil," and by Senator Bérenger of France, "Oil-the blood of the earth was the blood of victory.....Germany had boasted too much of its superiority in iron and coal, but it had not taken sufficient account of our superiority in oil.As oil had been the blood of war, so it would be the blood of the peace."



Europe Plans to Say Nuclear Power and Natural Gas Are Green Investments

The draft proposal could help unleash a wave of investment, but critics say both sources of energy cause damage to the environment.



Under the European proposal, nuclear power and natural gas are considered green investments.



United States Leads the World in CO2 Reductions – Thanks to Natural Gas

The United States is the world leader in carbon dioxide reductions since 2005. The intergovernmental Panel on Climate Change, International Energy Agency and U.S. Energy Information Administration agree this trend can largely be attributed to increased natural gas use, made possible by fracking.

Carbon Dioxide Reduction Leaders: 2005-2019 (in million metric tons)

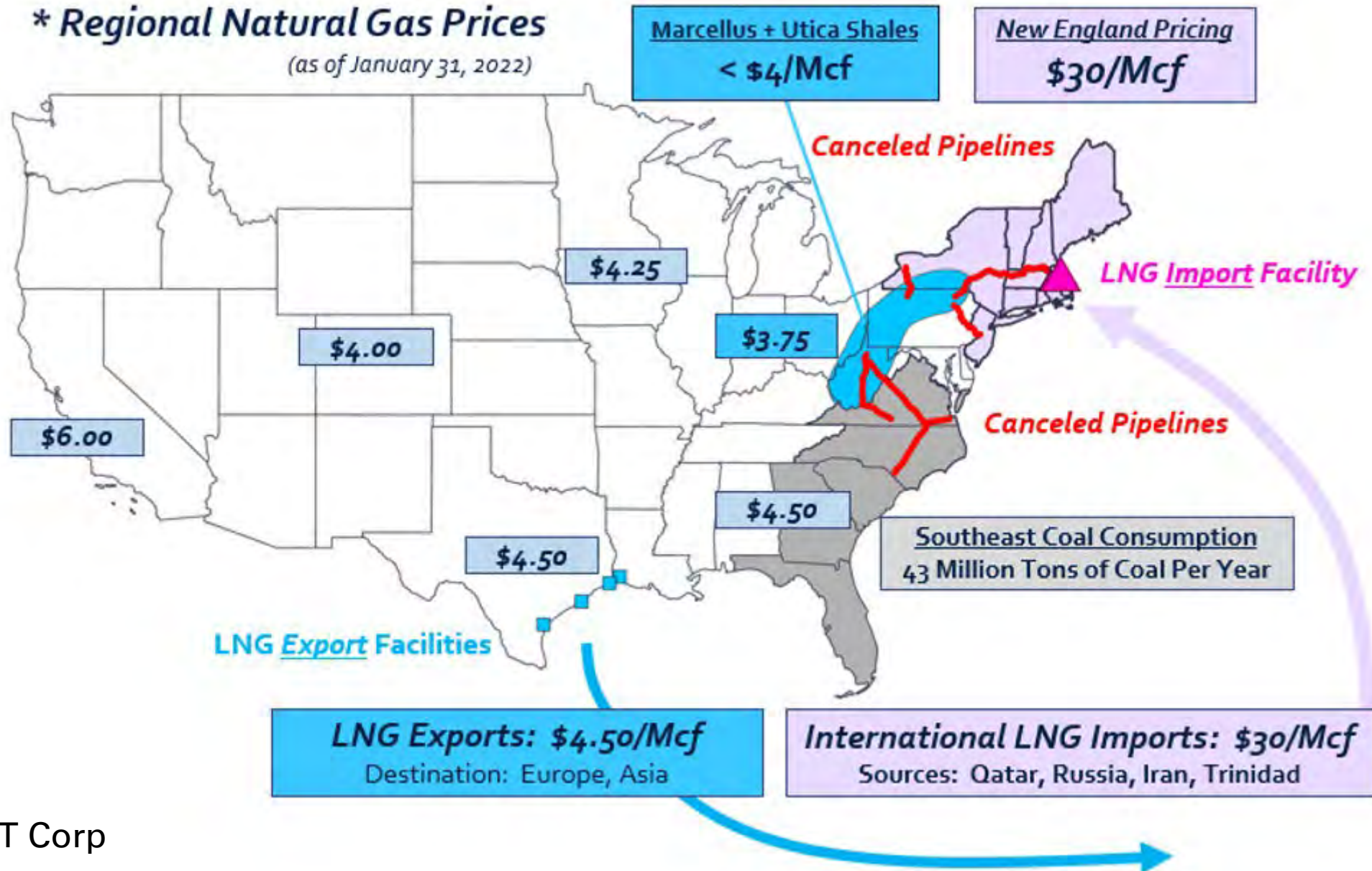


"In the last 10 years, the emissions reductions in the United States has been the largest in the history of energy."

– IEA Executive Director Fatih Birol, 2018

* Regional Natural Gas Prices

(as of January 31, 2022)



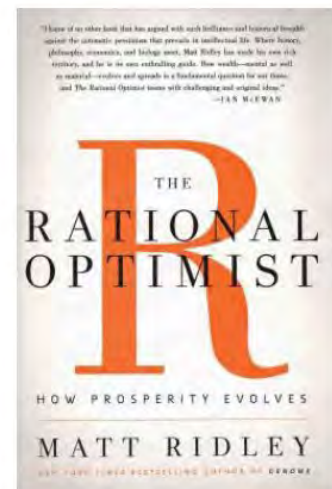
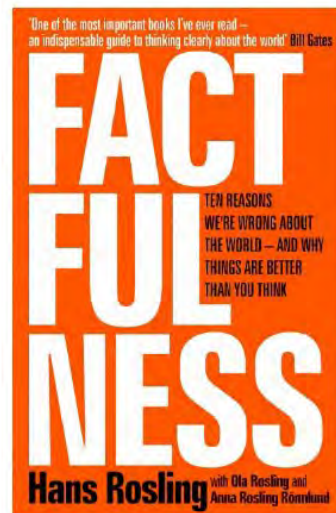
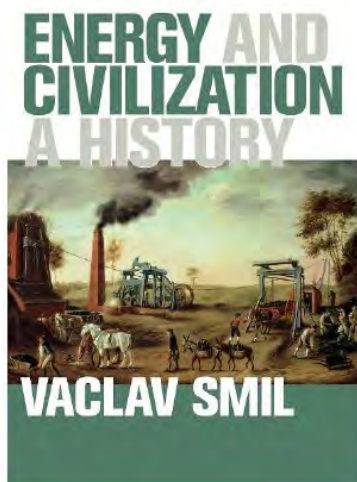
Source: EQT Corp

CHANGING MESSAGE

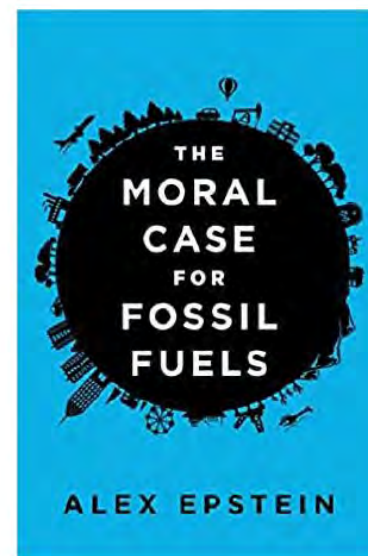
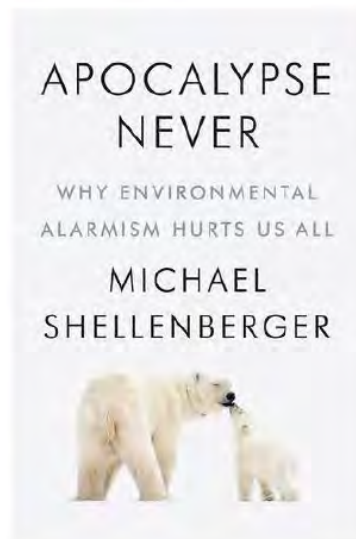
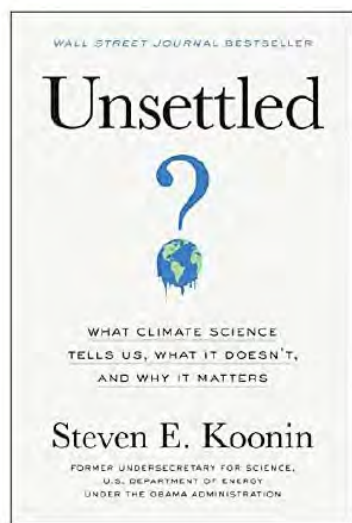
- Lifting billions out of poverty
- Saving Americans thousands of dollars
- Reshoring manufacturing jobs
- Meeting the world's challenges



- Fossil fuels supply 84% of the world's energy demands today
- 40% of the globe do not have access to clean fuels for cooking and heating
 - ~ 3 billion people lacking access to clean, modern energy
- Expected 50% increase in energy demand by 2050
- <https://ourworldindata.org/energy-poverty-air-pollution>



- EnergyTalking
Points.com



- LifePowered.
org

FOSSIL FUTURE



Why Global Human Flourishing
Requires More Oil, Coal,
and Natural Gas—Not Less

ALEX EPSTEIN

ACTION

- Must be involved in organizations
- Proud to work in oil/gas
 - Less Letters to the Editors, More Social Media
- Engage your elected officials and participate in elections





Q&A





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- <https://TexasAlliance.org/>