



PERMIAN BASIN  
PETROLEUM ASSOCIATION

# The Standard

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Members,

Like we're sure it has been for you, it has been a busy week for us all here at PBPA. From every corner of the Permian Basin to the White House on Pennsylvania Avenue, and of course, state houses in Texas and New Mexico, PBPA has been working to ensure the safe and responsible development of our region's natural resources.

This week alone we heard from many of you regarding your perspective on recent federal orders, and worked to explain the impact of those orders to state and federal officials in Texas and New Mexico. This included testifying before lawmakers in New Mexico, where PBPA provided vital insights about the impact of potential changes at the state level for oil and gas operators in the Permian Basin.

With the help of PBPA Members, we also welcomed Texas Governor Greg Abbott to the Permian Basin where he signed important executive orders aimed at defending the vital Texas energy industry.

From every direction, in public policy, public perception, and in the media, our industry is having to work harder than ever, not just to produce abundant energy and economic prosperity, but to prove that our industry should continue to exist.

We need your support in advocating the efforts of our members more than ever. With your help and feedback we will ensure that the Permian Basin's future remains bright for the next generation of people that live, work, and raise their families in America's Oilfield.

Regards,

Ben Shepperd



# PBPA in Action

## Update on Washington, D.C.

On Wednesday, January 27, 2021, President Biden issued an [Executive Order on "Tackling the Climate Crisis at Home and Abroad."](#) This Executive Order contains numerous directives that are greatly concerning to those who care about affordable, reliable and efficient energy development in the United States. There are two directives, however, that are specifically concerning to the oil and gas industry of the Permian Basin. These directives are found under Sections 208 and 209 of the Executive Order, and are titled Sec. 208. Oil and Natural Gas Development on Public Lands and in Offshore Waters and Sec. 209. Fossil Fuel Subsidies.

The Executive Order, along with the order issued by Department of Interior's (DOI) Acting Secretary Scott de la Vega on January 20, 2021, have already resulted in reduced opportunities for oil and gas operations in New Mexico. Moving forward, this will also result in reduced royalty and tax revenues for the state. The severity and length of such reductions depend on not just the language of the orders, but the duration of the Executive Order in particular, and the actions of the administration and its staff under those orders.

The concern with the orders, in particular the DOI Order, was thought not necessarily to be the inability to obtain a lease or a drilling permit, however, because over 30 new drilling permits authorizing operations on federal lands and coastal waters had been issued since the issuance of the DOI Order. There was greater concern about the uncertainty created around whether or not permits and additional agreements related to oil and gas operations would be granted. Until, however, the Executive Order was issued and was followed by DOI notifying affected oil and gas producers on Friday, January 29, 2021, that roughly 70 permits were "approved without proper review", i.e. staff had not followed the DOI Order, and that the involved companies would need to seek new approvals. This was a clear sign that if the regulatory environment on Federal lands hadn't already been uncertain, it was clear as mud now.

The development and production of oil and natural gas on federal lands in New Mexico has been and continues to be a crucial part of the state's economy and the well-being of its residents. Restrictions that would result in the end of new development could cost the state tens of thousands of jobs, with some projections at over 60,000 jobs, and hundreds of millions of dollars a year in royalty and tax revenues. Money that currently goes to support public schools, first responders, infrastructure development, and healthcare services. However, the cost won't just be to the state, but to many of its private citizens as well. On the royalty front alone, private mineral owners stand to lose millions of dollars in royalty payments with some projections showing around an 8-9% reduction in value if a ban on both new leasing and new drilling is in place for even just one year, and an increasing percentage because of lack of new production for any additional length of time after that.

Even if the most optimistic of results occurs, and drilling permits, rights of way and other agreements could be granted under current leases which would mean a likelihood of new production and royalties in the short term, the longer the lease ban, either under the DOI Order or the Executive Order, stays in place, the less new development will occur to replace depleted reserves, and revenue will only drop. As uncertainty in the regulatory environment increases in New Mexico, oil and gas operations will only decrease. The extent of that decrease is incredibly reliant on how the Biden Administration interprets and implements the DOI Order and Tuesday's Executive Order.

PBPA provided this message to the members of the New Mexico House Appropriations and Finance Committee this week on Thursday, January 28, 2021, and has been providing this message to many state and federal officials from both New Mexico and Texas since the DOI

Order came out last week. We continue to meet with partners at both the state and federal levels to deliver this message and to get a better understanding of the administration's intent regarding operations on Federal lands moving forward. We need your help in this effort and will be calling on many of you as this process continues to move forward.

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## Texas Update

On Thursday, January 28, 2021, PBPA President Ben Shepperd, and members CUDD Energy Services and Diamondback Energy organized Texas Governor Greg Abbott's visit to the Permian Basin where he hosted a roundtable discussion on the Texas economy and the oil and gas industry.

During the roundtable, Governor Abbott and the participants discussed enhancing workforce development in Texas, cutting costly red tape, and expanding broadband access in rural communities. At the end of the roundtable discussion, Governor Abbott issued an [Executive Order](#) that directs every state agency to use all lawful powers and tools to challenge any federal action that threatens the continued strength, vitality, and independence of the energy industry. Governor Abbott directed agencies to work to identify potential litigation, notice-and-comment opportunities, and any other means of preventing federal overreach within the law.

State Representatives Tom Craddick and Brooks Landgraf also joined in the discussion and we look forward to their leadership during the remainder of the Texas Legislative Session that began earlier this month and ends in May.

The event was a great success, and could not have been possible without the help of so many, including CUDD Energy Service's Mr. Clint Walker and his fine employees as well as a team of folks from Diamondback Energy, including Mr. Travis Stice, Mr. Marc Dingler, and Mrs. Betsy Madru. We want to send our greatest thanks for their efforts and many others for their help in coordinating a quick trip for Governor Abbott as well as providing such great Permian Basin hospitality.



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## New Mexico Update

As mentioned in the above Federal Update, PBPA was asked to provide comment this week to House Appropriations and Finance (HAFC) on the Department of Interior Order from January 20, 2021 and President Biden's Executive Order from January 27, 2021. PBPA's Stephen Robertson provided these comments and will continue to work with a small group, created by HAFC Chair Lundstrom, to further discuss how to respond to and handle the orders and their impact on New Mexico going forward. We will also begin discussions on the same topic with the members of Senate Finance next week.

On a related note, a "small COVID-19 outbreak" has occurred at the Roundhouse in Santa Fe. This has caused Speaker of the House Brian Egolf to order the closure of committee rooms in the Capitol and bar all members from the House floor, except for leadership, for the purpose

of keeping legislators from gathering. Most action had been occurring in committee meetings up to this point, all of which were being conducted virtually anyway, so the Speaker's actions aren't likely to change the work being done in committees, but it is yet to be seen how this action will change the overall work of the legislature this session. House Republicans issued the following statement on the outbreak:

"As we had predicted, requiring staff and legislators to convene, before the vaccine had a chance to be properly distributed, was a poor choice. The risks of COVID spread have clearly been present, now and when we discussed the format of the legislative session. House Republicans vehemently supported a delayed session to ensure safety and transparency. Our concern as we move forward is ensuring that, anyone who tests positive or has been exposed, returns to being healthy and safe. Our staff have chosen to stay home tomorrow, while Leadership discusses with the Department of Health on how to proceed moving forward to stop the exposure."

PBPA will continue to monitor this situation as one of the many variables impacting what will and won't actually happen at the Roundhouse this session. PBPA will hold its New Mexico Legislative Committee meetings on Wednesdays during the session. Next week we'll continue discussing strategies on the numerous bills we're tracking and strategies for those bills which are gaining momentum. If you aren't already part of the PBPA New Mexico Legislative Committee but are interested in getting engaged, let us know.

### **PBPA in the News**

Midland Reporter Telegram:

[Governor Comes to Aid of Energy Industry](#)

[Bloomberg Report: Permian flaring could be slashed at no cost to producers](#)

[NBC DFW: Gov. Abbott Signs Executive Order Directing All State Agencies to Prepare to Challenge 'Federal Overreach'](#)



## **Regulatory Updates**



### **RRC Launches New Website**

The Railroad Commission of Texas (RRC) has launched a new website to make online resources for the regulation of the energy industry more user friendly. You can view the website at <https://rrc.texas.gov/>.

To view a video highlighting the new website, visit the RRC's YouTube Channel at <https://youtu.be/dDocusqGTo8>.

The RRC recommends updating any bookmarks to the following webpages, as the URLs have changed:

- Announcements: <https://rrc.texas.gov/announcements/>
- Data Sets Available for Download: <https://rrc.texas.gov/resource-center/research/data-sets-available-for-download/>
- Events: <https://rrc.texas.gov/events/>
- FAQs: <https://rrc.texas.gov/about-us/faqs/>
- Imaged Records: <https://rrc.texas.gov/resource-center/research/research-queries/imaged-records/>
- News: <https://rrc.texas.gov/news/>
- Online Research Queries: <https://rrc.texas.gov/resource-center/research/research-queries/>
- Oil and Gas: <https://rrc.texas.gov/oil-and-gas/>
- Public GIS Viewer: <https://rrc.texas.gov/resource-center/research/gis-viewer/>
- Surface Mining: <https://rrc.texas.gov/surface-mining/>

If you have questions about the RRC website, email the RRC at [Publicassist@rrc.texas.gov](mailto:Publicassist@rrc.texas.gov).



## Events in the PB Community



### Continuing Education for Oil & Gas Professionals

The Midland College Professional Development Center (MC PPDC) provides quality training programs designed to keep oil and gas industry professionals current in their areas of expertise by offering the latest updates as well as providing timely and pertinent educational opportunities. Here are the classes coming up in February and March:

- **Feb 16-19** Well Control Drilling Workover (WellSharp); Rick Springer
- **Feb 23-24** Oilfield Terminology; Tommy Lent
- **Feb 25** Introduction to Structured Query Language (SQL); Mark Edgar
- **Mar 16-17** Petra Fundamentals; Greg Hinterlong
- **Mar 18** Right of Way Acquisitions Training; Don Valden
- **Mar 22-25** Petroleum Geology for Non-Geologists; Paul Pause
- **Mar 30-Apr 1** Petroleum Land Basics: Becoming LandWise; Ralph Lea

[Click here](#) for more information on these and other upcoming courses. To register for a course, call (432) 683-2832 or visit the MC PPDC website at <https://mccc.midland.edu>.

