



Eyes on Texas & Washington

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Legislature Passes Railroad Commission Sunset Bill

By Katie Carmichael, Alliance Public Relations & Government Relations Consultant

The Senate voted to reauthorize the Texas Railroad Commission this week, sending the agency's Sunset Review bill to Governor Abbott's desk for his signature. It was the third attempt in four legislative sessions to reauthorize the agency.

Most state agencies undergo Sunset Review once every 10 to 12 years. However, the Railroad Commission Sunset legislation has notoriously included controversial measures that failed to gain consensus and thus did not pass on two previous attempts.

This session, Rep. Larry Gonzales, who served as Chairman of the Sunset Committee and is the author of House Bill 1818 – the RRC Sunset bill – exhibited strong leadership early on in the process by pushing for a “clean bill” (i.e. a bill that does not include some of the divisive provisions that have prohibited its passage in years past). A committee substitute was voted out of the House Energy Resources Committee in mid-March, which included changes for which the Alliance's government relations team and other industry associations advocated.

Primary provisions in HB 1818 include a pathway for the Commission to develop and implement an alternative dispute resolution policy; the development and dissemination of a monitoring and enforcement strategic plan by the RRC's Oil and Gas Division; and the establishment of pipeline regulatory fees.

In late March, HB 1818 was introduced and voted off the House floor. Twenty five amendments were filed, many in an attempt to make political statements on irrelevant issues such as immigration and the so-called “bathroom bill.” However, only 11 of the 25 amendments filed were introduced on the floor, as the Speaker of the House Joe Straus ruled others non-germane. An amendment regarding E-Verify was successfully added onto the bill, which requires all contractors and subcontractors awarded a contract by the RRC to register and participate in the E-Verify program, ensuring workers are legally eligible for employment in the US.

After passing in the House, HB 1818 was received by the Senate and referred to the Senate Natural Resources and Economic Development Committee, where it was successfully voted out of on May 2. Eight amendments were presented in committee, making them eligible to be introduced on the Senate floor, however only one was introduced and it failed to pass.

On May 9, HB 1818 was successfully passed out of the Senate on a 29-2 vote and is heading to Governor Abbott's desk for signature. The final version of the bill is available online [here](#).

Federal Regulatory Energy Delegation (FRED) Resolution Slated For Vote On House Floor

A House committee approved the Federal Regulatory Energy Delegation (FRED) resolution on Wednesday and it is slated for debate on the floor of the House soon. If approved by the House, the resolution will go to Governor Abbott for signature.

The Texas Alliance of Energy Producers announced the formation of a Federal Regulatory Energy Delegation (FRED) Committee in January. It is designed to focus on the opportunities to direct federal programs and funding to state authorities that oversee the oil and gas industry. An incoming new Administration and Congress has created what could be a "once in a career" opportunity to address overreaching, redundant, and/or poorly managed federal regulations that would be best delegated to states where they can be better overseen.

Ground work began the week of Jan. 9 when Alliance staff and members had a call-up trip to Washington to visit with our Congressional Leadership.

In Texas activities, during the ongoing 85th Texas Legislative Session, both the House and Senate issued "FRED friendly" concurrent resolutions. The similar resolutions call on the Texas Legislature to address the over-reach of federal regulation into the energy sectors in Texas.

SCR 26, urging Congress to review federal regulations on the oil and gas industry, was introduced on Feb. 23 and passed out of the Senate on April 10. The sponsors are Senators Craig Estes (R-Wichita Falls) and Paul Bettencourt (R-Houston).

In the House, Representative Drew Darby (R-San Angelo) introduced HCR 84 on Feb. 24. The bill urges Congress to identify federal regulatory programs that harm the Texas oil and gas industry and delegate relevant regulatory responsibilities to state agencies. Chairman Darby's committee substituted the Senate version of the bill and it passed out of committee on May 10.

The FRED committee continues to meet by phone weekly during the Alliance corporate issues meetings to discuss issues and priorities. Interested members are welcome to participate. Alliance staff is also having discussions with national oil and gas associations as well as our Texas Congressional representatives to keep this issue on the front burner of energy discussions.

The Alliance expects to issue several transmittal letters to federal agency heads in the near future outlining the concerns identified by the FRED Committee. The letters will also offer to provide additional assistance to see these concerns addressed.

Texas Senate Approves Water Agreement Between Midland And Pioneer

The Texas Senate has approved the wastewater agreement deal between Pioneer Natural Resources and the City of Midland. Texas House Bill 101, which was sponsored by Rep. Tom Craddick, was unanimously approved by the Texas Senate on Thursday by a vote of 31-0.

As a result, the City of Midland will give Pioneer exclusive access to treated water for fracking and drilling.

In return, Pioneer will invest \$110 million into Midland's secondary water treatment plant, which will help get the facility up-to-date on all state and federal regulations.

After the updates are complete at the water treatment plant, the City of Midland will receive \$2.5 million a year from Pioneer.

Senate Narrowly Rejects CRA Resolution To Revoke BLM Methane Rule

By Nick Snow, OGJ Washington

The US Senate has rejected [a Congressional Review Act resolution](#) to revoke the US Bureau of Land Management's methane emissions rule on May 10 by a 49-51 vote. Backers of the resolution, which the House approved Feb. 3 by a 221-191 vote, immediately called on US Sec. of the Interior Ryan Zinke to withdraw the rule immediately.

"If left in place, this regulation will only discourage energy production, job creation, and economic opportunity across the West," Environment and Public Works Committee Chairman John A. Barrasso (R-Wyo.), who sponsored the legislation in the Senate, said immediately after the vote. "Wyoming and other leading energy producing states already regulate methane emissions. We don't need this duplicative rule."

Groups representing oil and gas producers pledged to work with Interior to overturn the rule as they expressed their disappointment. "The Senate has voted to deny taxpayers \$110 million in revenue every year," Western Energy Alliance Pres. Kathleen Sgamma said in Denver.

WEA, the Independent Petroleum Association of America, and four states will continue to make their case in federal district court in Wyoming that the rule exceeds BLM's authority because it tries to regulate airborne emissions, which is under the US Environmental Protection Agency's jurisdiction, Sgamma said. BLM has said the rule tries to stop the waste of federal resources, which is within its purview.

"We'll also work with [Interior] to revoke this rule. BLM has neither the authority nor expertise to regulate air quality, and we know that Sec. Zinke understands that fact," Sgamma said.

Independent Petroleum Association of America Pres. Barry Russell said, "This overreaching rule puts independent producers—many of which are small family-run businesses with limited resources—on the hook for complying with the costly burdens of a flawed regulation."

Russell continued, "This regulation will particularly affect small-producing, marginal wells located on federal lands." Shutting in these smaller wells means fewer royalties will be sent to the federal treasury, he said. "These federal dollars are vital for many western economies and are used to fund state and local priorities, such as education and infrastructure projects like roads and bridges."

EPA Reduces Number On Science Advisory Board

The Environmental Protection Agency (EPA) has decided to reorganize its Board of Scientific Counselors. House Republicans have passed legislation to reform the Science Advisory Board, a move critics say is designed to increase the voice of industry in rulemaking. That bill is still awaiting Senate approval.

The Trump administration has already sent signals that it does not value some areas of federal research, in particular climate science and work that could lead to further regulation of the fossil fuel and chemical industries. The board had 18 members, but 12 have been dismissed.

Memo Reveals Tactics Used By Environmental Groups

A newly uncovered environmentalist memo from 2012 shows how green groups conspired to link hydraulic fracturing to health issues, despite a lack of scientific evidence.

[The 2012 memo](#) discussed how environmentalists lack evidence that fracking causes health issues. It suggests using the media to misrepresent the scientific community's research to shut down fracking by linking it to health concerns, according to [an investigation](#) published by the pro-industry group Energy In Depth (EID), which uncovered the memo.

The memo was prepared for the 11th Hour Project, which donates money to anti-fracking groups such as Earthworks, Food & Water Watch, Friends of the Earth, New Yorkers Against Fracking, and the Post Carbon Institute.

"For years, we have seen an onslaught of inflammatory headlines and wild accusations about fracking and its supposed impacts on public health," Steve Everley, a senior adviser for Energy In Depth, told The Daily Caller News Foundation. "This memo helps explain why: it was part of a strategy developed for a wealthy donor network that funds anti-fracking groups across the country. They wanted to prime the pump for lawsuits against the oil and gas industry, and the ultimate goal was to secure bans or other regulatory restrictions."

The memo was written by Seth Shonkoff, then a doctoral candidate at the UC, Berkeley and now the executive director of anti-fracking group PSE Healthy Energy, and instructs environmentalists to focus on attacking any scientific papers that disagree with their conclusions while getting any anti-fracking research "popularized in the media." It also suggests focusing on emotional and relatable issues, such as mandating fracking be located far away from schools.

Environmental groups took the advice to heart in [tip sheets](#) for anti-fracking activists, advising them to appeal to people's emotions, not their rationality, as well as using babies as props.

"[T]he lack of robust, causal data that links hydraulic fracturing to health has slowed the efforts of NGOs, activists, and others focused on regulatory reform and community health protection," Shonkoff wrote in the memo. "Academic studies can be long and arduous undertakings that fail to meet the immediate needs of impacted communities that are exposed to risks and become ill while waiting for the results."

After failing to find evidence that fracking accuse health risks, Shonkoff set out to help generate some. In the memo, Shonkoff stated that the results of an upcoming study [would link fracking to worsened asthma attacks](#) before it even secured funding from the National Institute of Health or conducted the research.

When the research was published in July 2016 by Johns Hopkins University, Shonkoff's media strategy was used to interpret it as a link between fracking increased asthma attacks. However, the study's other authors openly stated [they have no data to show](#) fracking causes asthma or make symptoms worse.

Headlines from media outlets covering the were alarmist with the [USA Today](#), [British Broadcasting Corporation \(BBC\)](#) and [CBS News](#) all claiming the study directly linked fracking to asthma. Buried in some of the coverage was a statement that "[the study doesn't prove fracking causes asthma or makes symptoms worse](#)" and scientists involved in the research stated that any sort of connection "[awaits further investigation.](#)"

"It's important to stress that not all research on fracking and health is part of this anti-fracking strategy," Everley said. There are scientists making an honest effort to investigate questions and public concerns. But when studies and accusations are motivated by politics, not science, it only makes it harder for the public to know who to trust."

Natural Gas Usage Increases In Northeast

The generation fuel mix of electricity in the Northeast Census division of the United States has shifted dramatically over the past 10 years from coal to natural gas.

In the nine Northeast states, natural gas nearly doubled its share of the region's total generation to 41% in 2016, up from 23% in 2006.

Coal-fired generation fell from 31% to 11% of generation over the same period. Nuclear-powered generation as a share of total generation remained relatively constant near 34%.

Despite the popularity among politicians, renewables accounted for only 5% with wind accounting for 93% of the renewable portfolio.

Crude Oil Futures Higher After EIA Inventory Report

Crude oil futures for June delivery on the NYMEX closed on Thursday at \$47.83 per barrel, after EIA data revealed on Wednesday the biggest weekly decline in domestic crude supplies so far this year.

EIA reported domestic crude supplies dropped by 5.2 million barrels for the week ended May 5th. That was larger than the fall of 1.8 million barrels forecast by analysts, though the American Petroleum Institute late Tuesday reported a 5.8 million-barrel drop.

US crude production edged up by 21,000 barrels to 9.314 million bpd, EIA data showed.

EIA also said that gasoline stockpiles declined by 200,000 barrels, while distillate stockpiles were down 1.6 million barrels last week.

The data come ahead of a much-anticipated meeting of major oil producers on May 25th. The general expectation is that members of OPEC, as well as some non-OPEC producers including Russia, will extend the current output cuts into the second half of this year, or longer.

In London, the Brent contract for July delivery on ICE settled \$1.49 higher at \$50.22 per barrel yesterday.

Saudi Chief Promises Whatever It Takes to Rebalance Market

"OPEC will do whatever it takes to rebalance the global oil market," said Saudi Oil Minister Khalid al-Falih in a speech Monday in Kuala Lumpur.

He expects OPEC to extend its 1.8 million bpd production cut at least to the end of the year.

US oil production bottomed last October at 8.5 million bpd, but has risen to 9.3 million bpd currently.

The International Energy Agency figures that global oil output (including the US) has fallen 800,000 bpd year-over-year. It predicts world oil demand to grow 1.3 million bpd this year.

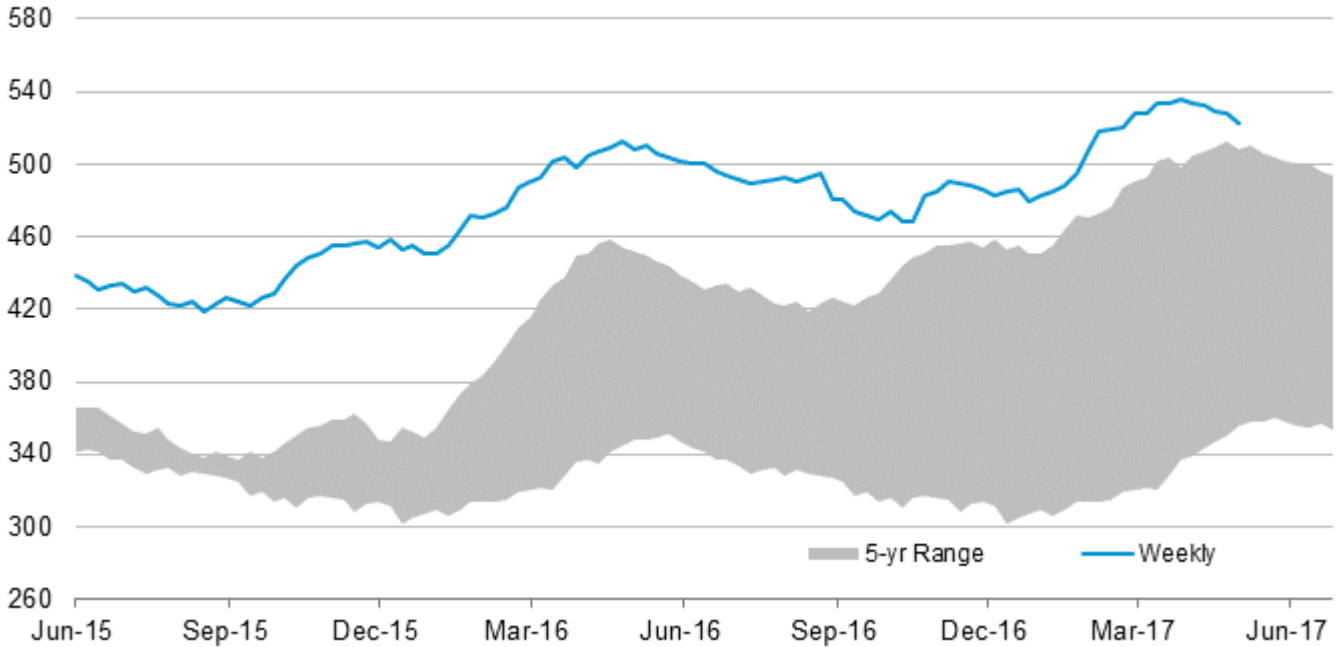
With refinery turnarounds complete and the driving season set to kick into gear, global oil demand should strengthen in the months ahead.

EIA Crude Oil And Natural Gas Data



U.S. crude oil stocks

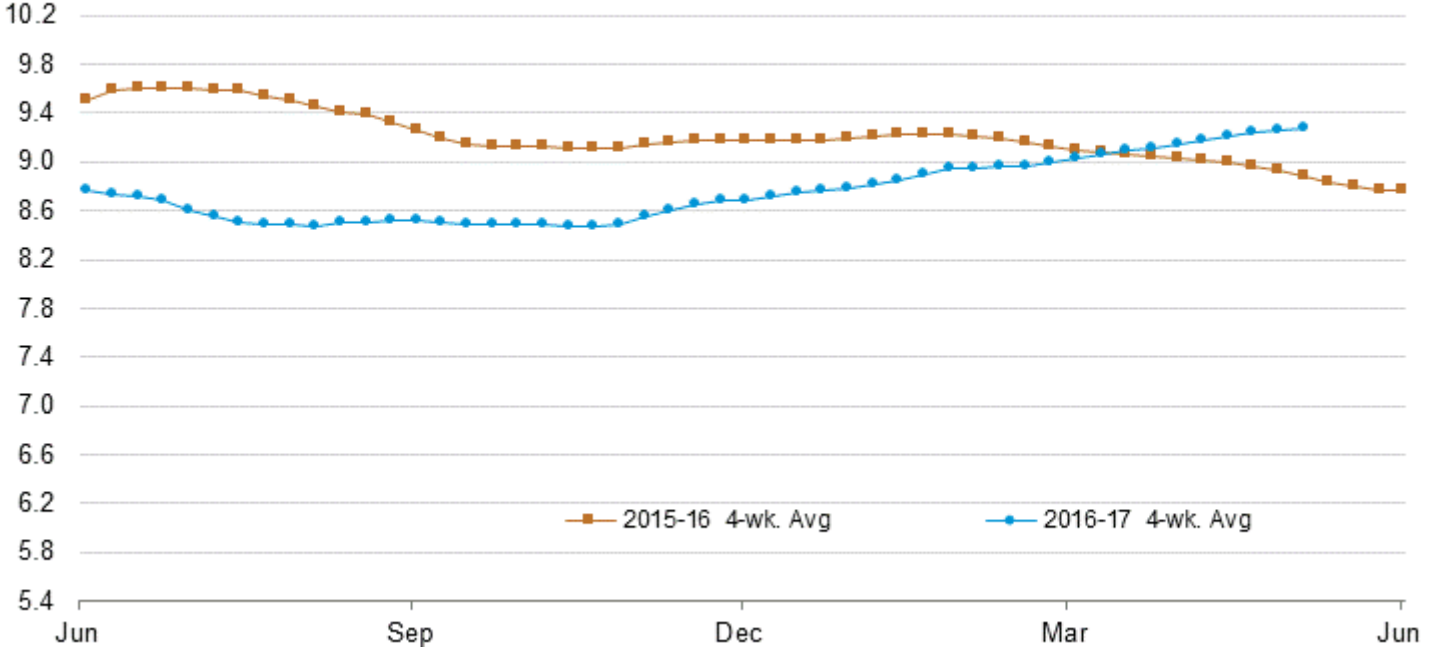
million barrels



Source: U.S. Energy Information Administration


U.S. crude oil domestic production

million barrels per day

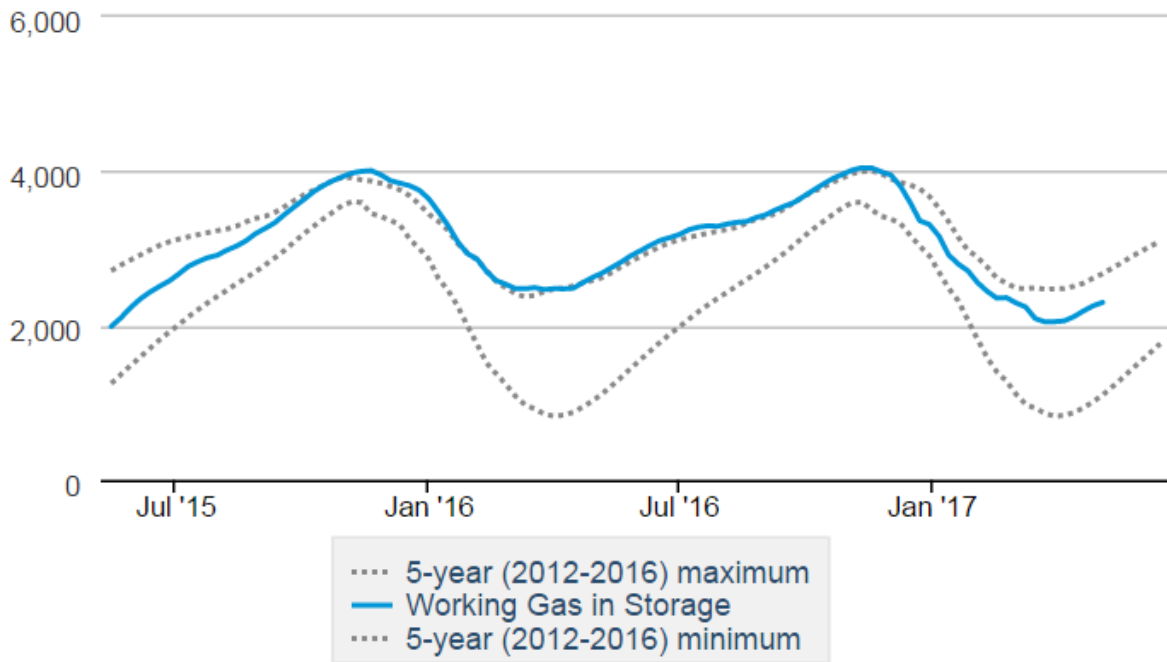


Source: U.S. Energy Information Administration

Working natural gas in underground storage

 [DOWNLOAD](#)

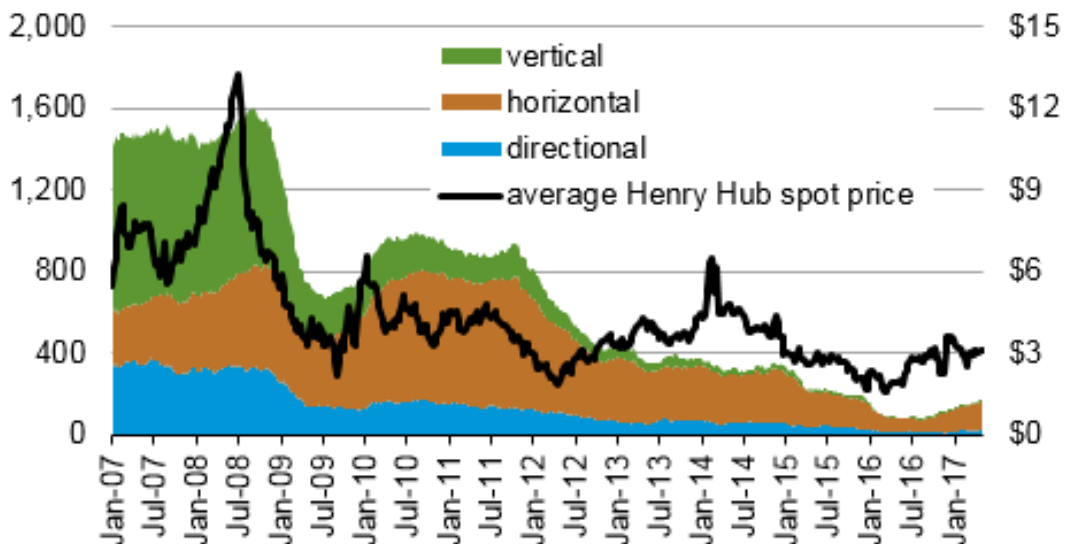
billion cubic feet



Weekly natural gas rig count and average spot Henry Hub

active rigs

\$ per MMBtu



Source: Baker Hughes

Mark Your Calendars!

Below are the dates of our future meetings and hearings. For more info, visit: www.TexasAlliance.org

- ✓ May 15, 2017, 5:30 pm - 7:00 pm: Houston Wildcatters honors Thomas Jorden, CEO of Cimarex. Held at the Houston Petroleum Club. [CLICK HERE](#) for more information!
- ✓ August 23, 2017, 5:30 pm - 7:00 pm: Houston Wildcatters honors Bryan Sheffield, CEO of Parsley Energy. Held at the Houston Petroleum Club. Check back later for registration information!
- ✓ October 5, 2017, 5:30 pm - 7:00 pm: Houston Wildcatters honors Tommy Nusz, CEO of Oasis Petroleum. Held at the Houston Petroleum Club. Check back later for registration information!

**For more information on the oil & gas industry,
including crude oil & natural gas price data,
click the icon to view the latest edition of**

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