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1. TIPRO promotes education with new State of Energy report

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TIPRO promotes education with new State of Energy report

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Body

Feb. 15—Education is the key goal of the Texas Independent Producers and Royalty Owners' Association's release of its annual State of Energy Report, issued earlier this month.

Ed Longanecker, president of TIPRO, told the Reporter-Telegram by email the comprehensive look at oil and natural gas trends locally, statewide and nationally helps quantify the "enormous economic contributions made by the industry."

He added that the information detailed in the report highlights issues that will impact the future of the industry, including operational, policy and market forces. The data provided by the organization is used not only by members but by elected officials in evaluating or advocating for various policy proposals, as well as for educating the general public about the industry, he said.

According to the new report, the US oil and gas industry employed 902,233 professionals last year, down 160,323 direct jobs from 2019. Payroll totaled $102 billion and direct Gross Regional Product for the industry was $741 billion, 4 percent of the US economy.

In Texas, the oil and gas industry supported a total of 347,529 direct jobs, a loss of 73,982 jobs from 2019. When factoring in direct, indirect and induced employment multipliers, the Texas oil and natural gas sector supported more than 2.3 million jobs last year. Direct GRP for Texas oil and gas equaled $278 billion in 2020, or 15 percent of the state economy.

"As outlined in the association's report, it's interesting that oil and natural gas production largely held steady in Texas in 2020, despite economic headwinds, which was due to a variety of factors," Longanecker wrote. "Although we saw a drastic reduction in rig counts across the U.S. during the summer of 2020, which are still trying to return to pre-COVID levels, frac activity bounced back very quickly in the top oil and gas producing states. Some states like Oklahoma are taking quite a bit longer to recover with oil and gas operations, but in states like Texas and Louisiana completion activity was back to pre-COVID levels by the end of the third quarter."

He said that has helped many states maintain the levels of production seen throughout the course of the year. But, he said, it should also be noted that estimated ultimate recovery (EUR) proxy production metrics, like first three months of production, were at the highest rates they've ever been in top producing states. So, the generally better wells that were completed and put on production in 2020 helped offset the drop in activity, he said.

Oil production in Texas totaled 1.73 billion barrels in 2020, a decline of 117 million barrels compared to 2019. North Dakota had the second highest oil production with 430 million barrels, followed by New Mexico with 360 million barrels produced. Texas also once again led the country in natural gas production with 10.4 trillion cubic feet (Tcf) produced in 2020, followed by Pennsylvania with 7.1 Tcf. Texas had the highest average rig count in the country in 2020 with 215 rigs. The number of rigs in the Lone Star State dropped from 418 in January to 181 in December, a 57 percent decline.

Total U.S. average yearly production is forecasted to decline approximately 690,000 barrels per day this year. This drop in output is a result of continued modest declines expected through most of 2021 as operators take a conservative approach to capital expenditures as they await confirmation of commodity price recovery. Production is expected to resume yearly average growth in 2022 at approximately 200,000 b/d. On the bright side, 2021 free cash flow expectations are generally positive because operators will likely focus efforts on completing their drilled but uncompleted (DUC) inventory before ramping up drilling expenses.

According to Longanecker, numerous factors are expected to impact U.S. oil and natural gas production and commodity prices, led by continued recovery in global demand supported by new stimulus, growth in developing nations, and increasing confidence in the effectiveness and utilization of the COVID-19 vaccine. Headwinds facing the industry are actions and anticipated actions by the Biden Administration that will negatively impact this positive momentum and create a higher degree of uncertainty in the market.

As the new Biden administration takes hold, he said industry education will be more important than ever and will be a key area of focus for TIPRO and all sectors within oil and gas.

"The direct impact on jobs from anti-oil and gas policies could be significant, but the ripple effect is far worse for the individuals and businesses that are directly or indirectly tied to the industry," he wrote. "Evidence of this potential impact can be seen when reviewing the direct, indirect and induced multiplier effect of each sector for employment that TIPRO tracks and the broader implications these actions can have on the economy and tax revenue that states rely on to fund schools, education, first responders and infrastructure investment. As outlined in TIPRO's report, the U.S. oil and natural gas industry had a Gross Regional Production of $741 billion dollars in 2020 and purchased goods and serviced valued at more than $520 billion from virtually every business sector in the U.S. TIPRO will make every attempt to work with the new administration and will continue to provide data and analysis for their review when considering energy policy proposals."

While watching developments in the nation's capital, TIPRO will also be watching developments in Austin as the 87th Texas Legislative session is underway. Longanecker listed priority issues as tax policy, critical infrastructure, workforce development and various environmental issues facing producers and mineral owners.

"TIPRO will ultimately track every piece of legislation that would directly or indirectly impact our industry during the 87th Legislative session. Key areas of focus include supporting the buildout of critical infrastructure and the impact from proposed eminent domain legislation, a long-term solution to transportation funding needs, particularly in areas like West Texas, tax policy, various environmental issues related to water use and emissions, and supporting funding requests from the Texas Railroad Commission, Texas Commission on Environmental Quality, and the ***Bureau of Economic Geology***," he wrote.

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