NewsLine

A Publication of the Texas Alliance of Energy Producers

Jim Wright (left) was sworn-in as commissioner of the Railroad Commission of Texas on January 9, along with Christi Craddick (center) and Wayne Christian (right).

Jim Wright Sworn In As Newest Texas Railroad Commissioner

On January 4, **Jim Wright** was sworn in as the 51st Railroad Commissioner of Texas (RRC). He joins Commissioners **Christi Craddick** and **Wayne Christian** at the commission. Wright was elected to the RRC in November 2020 replacing Commissioner **Ryan Sitton**.

"We are excited to see Commissioner Wright sworn in and look forward to working with him. He and his staff are working to stand up advisory committees on areas to improve service delivery at the Commission and we encourage all Alliance members to take note of these opportunities to shape RRC policy for the next six years," Alliance President **Jason Modglin** said.

Wright is a life-long south Texan, and is a fifth-generation Texas rancher. He has also built environmental services companies that work in the energy industry. He has discussed the important relationship the energy industry has with the state, and its ability to revitalize and rejuvenate the economy.

"Oil and natural gas will make up the majority of our nation's energy for decades to come

(Continued On Page 3)

Texas Alliance of Energy Producers

Item's of Interest

January 2021
Volume 92-01

From The Chairman

By Cye Wagner, Chairman of the Board

Time for Defense

As a Fightin' Texas Aggie, I am very proud of our football team and a big fan of the leadership, namely Coach **Jimbo Fisher**. We had a great victory in the Orange Bowl, and it was quite the game to watch and enjoy. On offense, we put up solid points and used our running and throwing game well. Our defense, though, kept the other team from scoring and kept our offense in good field position. As in most games, the scoreboard reflected some give-and-take, the stats showed the irrefutable facts, and in the end, the team that played the best offense, the best defense, and presented the best set of stats won.

2020 was an offensive year for the Alliance. Even in the midst of the adversity we faced from the price war, COVID and more, your Alliance moved the ball. We have new team leadership in our quarterback, **Jason Modglin**, and he, the staff, and consultants have done a fantastic job in increasing benefits and representation for our members. **Karr Ingham** has been in the press repeatedly continuing to tackle one of the core tenets of the Alliance mission and my tenure as chair – education. His discussion and explanation of the economic impacts of our industry are crucial pieces of information that the public needs to hear. This information we provide – and counter the incorrect media with – are those irrefutable facts and stats. We must work constantly to teach and remind the public what our energy resources provide for our state, country, quality of life as we know it, and the truth about how we work to protect and secure our environment. Our staff has worked hard to keep us in the game, and now the Alliance is leading this charge as the voice for our industry. We have communication channels in place with you to keep you updated on our progress and happenings through our continued monthly *Newsline*, the new weekly *Energy Beat*, as well as the daily *News Report*. Our social media presence has grown at the helm of our wonderful PR team in **Chris** and **C.J. Hosek**. If you do not follow us on your social media, please do so and share the great articles, positions, and information we present on those platforms.

Now, it's time for defense. Like most of the 6-man football I watched and cheered for back in high school, our team plays both sides of the ball – and we are ready. We are ready for the legislative session, the potential regulatory challenges from the new federal administration, and to protect what our offense has spent the past year doing. We will have so many challenges to tackle, and we will use our outreach platforms to keep you informed and educated on the issues that matter most to our businesses and industry. This defensive hour is where our stats will really come together. We will be stopping the bad or untrue information about our industry. We will block attempts by others to push for policy that could negatively affect our industry. And as always, we will support you, our members. Be informed – read the good information we are providing, and please reach out with any questions or concerns. As the Texas legislative session begins, I encourage you to participate in the Roundtables that **Caleb Troxclair** – another example of our fantastic leadership – will lead. Be active members – cheerleaders even – and bring other industry colleagues into this great organization.

I am honored to serve as your Chairman and stand ready on the field with our great team of staff and consultants. Thanks and Gig 'Em.

Sincerely,
Cye Wagner
Chairman of the Board, Texas Alliance of Energy Producers

(Continued From Page 1)
and it is best for our state, our nation and the world if that energy is produced right here in Texas," Wright said. "As commissioner, I will work to streamline enforcement and increase transparency at the Commission, with the ultimate goal of creating a sustainable and dependable lifestyle for all Texans supported by our state's abundant natural resources."

Wright announced his staff including **Kate Zaykowski**, Director of Public Affairs; **Christopher Hotchkiss**, General Counsel; and **Megan Moore**, Executive Assistant.

As a commissioner Wright is committed to fighting for fair standards to allow compliant companies to keep operating and growing the economy, while cracking down on those who skirt the law. He understands that the Commission must evolve, and that should be done by bringing more people to the table, including stakeholders and the public to fully inform the Commission. This will ensure consistent regulation of the energy sector, improved transparency, and stronger ethics standards.

President's Update

By Jason Modglin, President

Happy New Year!

Your Texas Alliance of Energy Producers is excited to start 2021 with a team committed to serving you and advancing the interests of independent oil and natural gas producers in Austin and Washington DC. This will be a challenging year for our industry as we confront dual challenges from the recovery from COVID-19 and the return to federal regulatory expansion that we are anticipating from the new administration. It is not just government that keeps us busy these days but confronting misinformation in the media. This past month, the Alliance was instrumental in pushing back on stories maligning domestic oil and gas production without facts or logical conclusions. We see a concerted effort to attack and pile on to the industry right now and working together to push back is more important than ever.

Independent operators are the lifeblood of the Texas oil and gas industry, and that is why we fight so hard for you with broad backing across the state and industry. While our doors, emails and phones are always open to you to get your input, we also sought to survey the industry to help the public see the concerns of the industry that keeps their lights on, their store shelves full, and so many other blessings that are so frequently taken for granted. The Alliance surveyed over 160 oil and gas professionals in the weeks after the election. The respondents represent a broad spectrum of the Texas oil and gas industry, from independent producers (44%) to energy service companies (13%) to professional services firms (16%), and more.

The typical respondent was an executive of an independent producer (46%) with between one and 25 employees. About 20 percent of all respondents work in companies with up to 250 employees, with the rest in organizations of up to 1,000, 5,000, and 10,000+. Other respondents identified their roles as engineers (10%), operations (9%), sales, government, geologists, finance, procurement, royalty owners, or consultant. Thank you to so many of you who participated in our first annual survey.

As you would expect, with the Biden administration preparing to take office, Texas energy professionals are concerned about federal overreach and other issues but are generally positive about the industry's future. They also provided pointed suggestions for federal and state officials heading into 2021.

Biggest Macro-level Concerns: The price of oil (59%), Demand for oil and gas (47%), and Federal overregulation (43%). Among the executives surveyed (37% of survey takers), "environmental activism/ overreach" is a top three concern (37%) while more than one-third are worried about federal overregulation.

Business Challenges: With those concerns in context, the top three challenges are: Maintaining the business (46% – 56% for executives), Growing the business (34%), and Lack of budget (29% – 25% for executives).

Despite the issues confronting the industry, 75 percent of respondents believe the industry will be better (44%) or about the same (31%) one year from now. Regarding their own business outlook for 2021, about 70% are neutral (38%) or positive (33%), while nearly one-third are negative.

Our industry is resilient, and the optimism reflected here shows that. Concerns about economic conditions and burdensome federal overreach are very real, but these results and comments demonstrate a determination to fight and persevere.

How to tackle all these challenges, concerns, and priorities in 2021 are the looming questions. Citing a lack of understanding about the industry's positive impacts, the respondents highlighted the need for increased public education, public relations, and marketing.

At the Alliance, we are working to address these shortfalls and gaps by telling your story, confronting where there is bad or misleading information, and always reminding lawmakers and the public of the good things this industry provides. As we start the Texas Legislative Session, your Alliance staff will be doing more to bring you the latest information from Austin, with Weekly Roundtable Zoom calls starting January 20 (Wednesdays at 10am) covering the business of the Capitol, an update to the Monday's ***News Report*** to include a brief Week Ahead at the top of the email discussing the schedule, relevant bills, where the Alliance could use help/feedback, more updates to our website, continuation of the ***Spotlight Webinar Series*** conversations with lawmakers, and our Legislative Tracking Report in the ***Energy Beat*** emails. Your feedback is needed along with your help in expanding our Alliance.

If you like what you see, please forward our information to a friend or colleague to encourage them to join the Alliance. Likewise, if there is something wrong, please do not hesitate to call (512-505-8898) or email (jasonm@TexasAlliance.org), and we will correct it.

The Alliance is honored to serve you and advance independent oil and gas operators!

Alliance President Jason Modglin (right) is shown with newly-elected Railroad Commissioner Jim Wright on Jan. 4 at his swearing-in ceremony in Austin.

Advising Texas to Eliminate Fossil Fuels Is Foolhardy

By Jason Modglin, President, Texas Alliance of Energy Producers

Apparently, the Texas Alliance of Energy Producers is the poster child for holding on to an antiquated notion that fossil fuels are essential to modern life. After all, the *Houston Chronicle* used a picture of our buttons for its January 4 online editorial titled "The transition from fossil fuel is an opportunity for Texas." As President of the Alliance serving 3,000 members, I felt the need to respond.

In its opinion piece, the Editorial Board recommends abandoning domestic production of oil and natural gas to "save the planet." Somehow, this will magically improve our climate, protect our environment, and force consumers to choose new industries that purport to be green. This is a call for Houston to transform its economy to one dependent upon the Biden Administration's mandates and largess to survive.

Energy transition should be considered, but not blindly pursued at the expense of this industry and the benefits it provides. The paper of record for the Energy Capital of the World should know better. All energy sources have advantages and disadvantages, and we should weigh those costs intelligently, not claim anything without a "green" label is inferior.

The Board's editorial is centered on a critical theme and one Texas oil and gas producers wholeheartedly agree with: opportunity. Houston's dynamic, innovative workforce seizes the opportunity to meet the world's energy needs every day. They thrive on finding ways to expand energy options.

This includes both exporting Texas crude and liquefied natural gas globally and recognizing that many oil and gas companies have broadened their portfolios to include sources such as wind, solar and biofuels to meet their customer's needs.

But you cannot eliminate oil and natural gas without also eliminating the critical building blocks necessary to power our economy. Beyond heating our homes and fueling our transportation, petroleum products have enabled countless advances in medicine, manufacturing, agriculture, chemical production, and construction. Each industry has the tools they need to deliver affordable products to meet America's and the world's demands. For example, without petroleum, how would we meet the demand for plastics and chemicals so critical to our public health response to COVID-19?

Since the editorial board is not calling for an end to these uses, we should assume they support relying on foreign sources of crude and natural gas to meet our needs. This is terrible economic policy, undoing the gains we have made over the past decade towards energy security. It would make us dependent again on the Middle East and other foreign sources such as Russia and Venezuela to meet global demand.

It would also be an environmental disaster since those countries have far worse environmental records than the United States. They allow for venting and flaring at rates far exceeding our own. If you support the goals of the Paris Climate Accord, then you should embrace domestically sourced natural gas: It has provided solutions to reduce U.S. emissions and put us on a path to meeting our emission reduction goals.

Contrary to the editorial's suggestion that small domestic operators are somehow stopping global energy transition, they are always moving forward with ingenuity, innovation, and character. Independent operators are good stewards of the land, value a diverse and talented workforce, and put personal accountability first with every handshake or gate sign. Their stories deserve more coverage rather than being asked to endorse unrealistic litmus tests designed to put an end to their livelihoods in domestic oil and natural gas production.

Likewise, the real world does not lend itself to being exclusionary of different types of energy. Renewable sources of electricity rely on natural gas as backup to reliable power delivery. In addition, oil and gas producers are more frequently turning to renewables for energy needs when the electricity grid fails to meet their demands.

The board should know that the taxes generated by the Texas oil and gas industry overwhelmingly support rural government and help the state afford new investments in road and water infrastructure without considerable tax increases. The outlays from oil and gas severance taxes that Texas legislators made this past session supported retired teachers and the rebuild from Hurricane Harvey.

Finally, the board should take note of the critical role oil and gas taxes and state leases have provided public and higher education funding. If we are to transition, we should consider the amount of additional taxes renewable energy sources should start paying.

Opportunity is abundant and Texas' oil and natural gas producers are finding ways, even under COVID, to produce clean, abundant, and affordable oil and natural gas. The high standards we have in the United States should be replicated the world over, and domestic producers are not afraid to see those standards raised.

Rather than calling for their end, policymakers should be asking how we can continue to lead by reducing emissions, meeting the world's energy needs, and supporting our Texas economy. We urge the Chronicle to take up that challenge.

Climate Change Top Priority For Biden

President-elect **Joe Biden** is preparing to act quickly on climate change and other environmental issues following his January 20 inauguration.

His new executive orders could announce plans to rejoin the Paris Agreement, submit a global deal on refrigerants for ratification and deliver on the sweeping climate pledges he made on the campaign trail.

According to *ClimateWire*, people in contact with Biden's transition team say they expect a spate of early communications on top policy priorities for the new administration, including on climate change.

The work on Biden's first-day actions comes as he continues to fill out his Cabinet and high-profile offices with climate-minded officials

Gina McCarthy is moving quickly to establish herself as the national climate adviser, having finished her tenure at the Natural Resources Defense Council last week.

In addition to reentering the Paris Agreement, the administration could be considering how to make early statements related to Biden's pledge to zero out power sector carbon by 2035, advance legislation on carbon-free new commercial buildings by 2030 and decarbonize the nation's transportation system.

"We will also be monitoring for the President's budget, likely unveiled in early February, which will lay out the potential tax changes this Administration and a Democratically-controlled Congress will be pursuing," said Alliance President **Jason Modglin**.

He named **Marty Walsh**, the Boston mayor and climate advocate, to lead the Labor Department, and selected Rhode Island Gov. **Gina Raimondo**, who has pursued aggressive steps to lower emissions, as Commerce secretary.

OPEC+ To Cut Production Through March

A welcome announcement by OPEC and allied countries to cut crude production through March 2021 recently helped to raise the price of crude.

On Jan. 4, Saudi Arabia said it would voluntarily reduce its production by 1 million barrels per day (bpd) in February and March, after Russia pushed to increase output, worried about US shale capitalizing on the group's cuts.

According to Reuters, Russia and Kazakhstan will increase their output, reluctant to cede market share to the US.

OPEC+ had been due to restore 500,000 bpd in each of the two months. Saudi officials were concerned new increases would outpace demand during new coronavirus lockdowns.

US crude oil production has fallen 2 million barrels per day in the last year as low prices and demand forced shale producers to cut their losses.

One factor that will benefit producers is low oilfield service costs. Excess capacity at the companies that provide fracking sand and services cut fees and have not been able to raise them, reports Reuters.

"Margins are terrible," said **Chris Wright**, chief executive of Liberty Oilfield Services, the second-biggest fracking company in North America. "They're slightly better now then they were six months ago, but they're still terrible."

Liberty has kept existing customers through the pandemic, but pricing remains so low it has not made sense to go after new clients.

ATTENTION! TAEP Members

ARE YOU SPENDING TOO MUCH MONEY ON YOUR WORKERS COMP INSURANCE??

If your workers comp is not with TexasMutual WORKERS' COMPENSATION INSURANCE or in the Texas Alliance of Energy Producers Workers Comp Safety Group, you may be throwing money down the drain!!

The Texas Alliance of Energy Producers Workers Comp Safety Group with Texas Mutual, has paid policyholder dividends*, safety group dividends*, gives additional premium discounts based on the group and provides loss control materials and services at NO COST to the policyholder.

Seriously, where can you get a better deal than that??

Additionally, this safety group is endorsed by and benefits YOUR association!

IF YOU WANT MORE INFORMATION, CONTACT YOUR AGENT TODAY AND ASK ABOUT THE TEXAS ALLIANCE OF ENERGY PRODUCERS WORKERS COMP SAFETY GROUP WITH TEXAS MUTUAL.

If you are already enjoying the safety benefits, savings, and dividends; THANK YOU!!

Tell your industry colleagues!

You can also contact Curtis Heptner at Curtis@1starins.com with any questions.

***Dividends are not guaranteed, and all dividend plans must be approved by Texas Mutual and the Texas Department of Insurance.**

TEXAS Alliance of Energy Producers

2020

For more information, contact Cutis Heptner at Curtis@1starins.com

Texas Comptroller Glenn Hegar Releases Biennial Revenue Estimate

Texas Comptroller **Glenn Hegar** released the Biennial Revenue Estimate (BRE) Jan. 11, showing the state is projected to have $112.5 billion in revenue available for general-purpose spending during the 2022-23 biennium.

The revenue estimate represents a 0.4 percent decrease from funds available for the 2020-21 biennium. This decline is a direct result of the COVID-19 pandemic, which caused revenue collections to fall well short of what was expected when the Legislature approved the 2020-21 budget; the ending 2020-21 balance will be close to a negative $1 billion.

"As is always the case, this estimate is based on the most recent and precise information we have available," Hegar said. "It represents our efforts to provide lawmakers with the most accurate forecast possible as they craft the budget for the 2022-23 biennium and the supplemental spending bill to address the remainder of the current biennium.

"The forecast, however, remains clouded with uncertainty. The ultimate path of the pandemic and the behavior of consumers and businesses during a resurgence are difficult to gauge. It's also unclear how they'll respond once the pandemic is fully under control. As a result, there is a wide range of possible outcomes for state revenue through the end of fiscal 2023, with the possibility of revenue falling short of this forecast but also a chance revenue could exceed it, perhaps substantially.

"In any case, the Legislature will again face some difficult choices to balance the budget. While savings from agency spending cuts and federal funding could help erase the projected shortfall for this biennium, a substantial supplemental appropriations bill could increase it, thereby reducing revenue available for the next biennium."

The $112.5 billion available for general-purpose spending includes 2022-23 collections of $119.6 billion in General Revenue-Related (GR-R) funds. These collections will be offset by an expected 2020-21 ending GR-R balance of negative $946 million. In addition, $5.8 billion must be reserved from oil and natural gas taxes for 2022-23 transfers to the Economic Stabilization Fund (ESF) and the State Highway Fund (SHF); another $271 million must be set aside to cover a shortfall in the state's original prepaid college tuition plan, the Texas Tomorrow Fund.

Texas Comptroller Glenn Hegar

The projected shortfall does not account for any GR-R expenditure reductions resulting from the state leadership's instructions for most state agencies to reduce spending by 5 percent of their 2020-21 GR-R appropriations. Nor does it incorporate the effects of substituting federal funds provided as pandemic-related assistance for some GR-R pandemic-related expenditures. Official action on either of those items could eliminate the projected shortfall, which must be made whole by the 87th Legislature.

Sales tax collections make up the state's largest source (62 percent) of GR-R revenues in 2022-23. The BRE projects sales tax revenues will increase by 5.1 percent from the 2020-21 biennium, reaching $64.1 billion for the 2022-23 biennium after $5 billion is allocated to the SHF.

Other significant sources of GR-R revenues in 2022-23 include:

- motor vehicle-related taxes, including sales, rental and manufactured housing taxes, which are expected to reach $10.1 billion, up 5.1 percent from 2020-21;
- oil production tax collections, which are projected to generate $6.5 billion, up 10.1 percent from 2020-21;
- natural gas tax collections, which are expected to raise $3.5 billion, up 66.9 percent from 2020-21; and
- franchise tax collections, which are projected to generate $6.3 billion, up 5.1 percent from 2020-21; for all funds, franchise tax revenue is estimated to generate $9 billion, up 4.4 percent from 2020-21.

The ESF (the state's "Rainy Day Fund") currently contains about $10.5 billion, not counting currently outstanding spending authority. Absent any legislative appropriations, the ESF balance is expected to total $11.6 billion at the end of 2022-23.

State revenue from all sources and for all purposes is expected to reach $270.5 billion for the 2022-23 biennium, including about $98.2 billion in federal receipts, along with other income and revenues dedicated for specific purposes and therefore unavailable for general-purpose spending. "We must keep an eye on several things that could impact this forecast, including the spread of the COVID-19 virus and the possibility of renewed reduction in customer-facing economic activity," Hegar said. "In addition, we must carefully monitor the nascent recovery in energy markets as further shocks on either the demand or supply side could threaten recent positive developments for prices and production.

"On the other hand, household savings have increased during the pandemic, while credit card debt has declined; this could support increased consumer spending once people feel safe to return to pre-pandemic activities. So, while there are numerous potential concerns, my economic forecast assumes a further moderate decline in economic activity in fiscal 2021, followed by a return to growth in the 2022-23 biennium at rates somewhat higher than those experienced during the last decade."

The Biennial Revenue Estimate and visuals from today's press conference are available on the Comptroller's website.

Can We All Agree, Bring On 2021?!

In Addition to presenting extreme challenges for the oil and gas industry, 2020 was also a year of higher losses in the TAEP Workers' Comp Safety Program

By Curtis Heptner, OneStar Insurance Solutions

(Wichita Falls) Happy New Year to you all! I hope the holidays brought you time to enjoy family and friends and forget about the year that was.

As we reflect on 2020, there really is nothing to brag about. A COVID-19 pandemic swept across this nation and continues to infect millions and take the lives of hundreds of thousands, including family, friends, co-workers, and neighbors.

Our country was shut down for months, travel was severely restricted, and our airlines essentially grounded. Life as we knew it came to a standstill. The resulting crude oil demand crash and the Saudi /Russia play caused a barrel of crude to go negative for the first time in history. These two factors created the need for many operators like yourselves to reduce costs, and as we all know, those cost savings often come in the form of staff reductions. Although moderate recovery appears to be on the horizon, 2021 is still an unknown. Time will tell.

Workers' Comp Program Took a Hit
Unfortunately, as has been the year 2020, the TAEP Workers' Comp Safety Group with Texas Mutual also did not fare so well. Claims were higher for the 4th Quarter (see Table 1) but lower for the year. (see Table 2). Both for the 4th quarter and the year, however, the dollar amount of loss incurred in the program

Current Quarter (4th) 2020					
	Current Year		Prior Year		
Cause	Claim Count	% of Total	Claim Count	% of Total	YOY Change
Struck By	4	25%	3	19%	33%
Fall/Slip or Trip	3	19%	2	13%	50%
COVID-19	2	13%	0	0%	0%
Strain/Injury	1	6%	3	19%	-67%
Motor Vehicle	1	6%	0	0%	0%
Total Claims	16*		12*		
Avg. Cost / Claim	$18,255	←	$9,734		
Total Loss Incurred	$292,080		$155,744		

Table 1

***Includes various other causes that did not make the Top 5.**

The Top 5 reasons are listed.

	Annual (2020)				
	Current Year		Prior Year		
Cause	Claim Count	% of Total	Claim Count	% of Total	YOY Change
Struck By	15	25%	17	21%	-12%
Fall/Slip or Trip	9	15%	14	17%	-36%
Strain/Injury	7	12%	16	20%	-56%
Misc. Causes	6	10%	9	11%	-33%
Motor Vehicle	5	8%	0	0%	0%
Total Claims	59*		82*		
Avg. Cost / Claim	$47,731	←	$19,391		
Total Loss Incurred	$2,816,129		$1,590,062		

Table 2

***Includes various other causes that did not make the Top 5.**

was sharply higher. An overview of the numbers follows.

The Top 5 reasons are listed

Overview

Looking at the 2020 annual numbers, you will see that claim counts have reduced in each area, except motor vehicle claims; this is somewhat of a positive sign. However, this is overshadowed by the fact that the average cost per claim has more than doubled. This means the frequency of claims has gone down, but the severity is on the rise. Obviously, we do not want a bunch of claims, nor do we want bad ones, but the bad ones are the ones that cost the most and have the most lasting impact on employees and their families. The most important numbers above? The dollar volume of losses incurred for the year 2020 exceeded 2019 losses by 77%, and 4th quarter 2020 losses exceeded the 4th quarter 2019 dollar loss volume by a whopping 88%.

When you drill down into the detail you find that most of the accidents reported are preventable. Some examples: In one case an employee was struck by a rod stand after pulling fiberglass rods from the well, a very serious accident. In another case the floor became unlatched from the cat line and landed on the employee. Strains caused by improper rigging at the well site. A hand was smashed plugging a well and another slipped on the stairs.
Hopefully, safety plans or at least an intense focus on safety at the workplace and jobsite can help to reduce or eliminate these types of accidents.

Enough Doom and Gloom

We can do better in 2021 and each one of you can help. As you look for ways to cut costs in your business, look no further than your insurance, Workers' Comp in particular. By creating a safe workplace in all you do and putting proven safety programs in place, you can lower your premiums and could provide the potential for the group to earn safety group dividends**. Things like cell phone use while driving, or how to prevent falls and slips, or being struck; items like these seem second nature but can get lost in the shuffle in a fast-paced high pressure work environment. Regular safety meetings can cultivate that mindset.

(Continued On Page 16)

(Continued From Page 15)
Texas Mutual - All the Resources You Need

The good news is, you can upgrade your safety program at no cost to you with:

- Safety plans by industry
- Industry specific e-Learning courses
- Safety consultant site visits
- Online videos
- English and Spanish

They are free to you as a Texas Mutual policyholder and there is so much more! For more information, contact the safety services support center at 844-WORKSAFE (967-5723) or safety@texasmutual.com.

Here are a few websites that you can access to get safety information as well:

- https://www.texasmutual.com/employers/hazards-and-controls/hc-home
- https://www.texasmutual.com/blog/

Let's make our workplaces safe and establish a culture of safety in the minds of our employees and make 2021 a safe and profitable year! If your Workers Comp policy is not with Texas Mutual or not in the TAEP Safety Group or you just have questions, contact your agent and begin to enjoy the savings the group offers! You may also contact the author, below.

***Dividends are not guaranteed, and all dividend plans must be approved by the Texas Department of Insurance.*

By Curtis Heptner – Safety Group Agent Administrator, curtis@1starins.com

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UPCOMING EVENTS

Texas Public Policy Foundation 2021 Policy Orientation
Free to register to virtually attend at www.PolicyOrientation.com
Life:Powered has three energy-related panels:

- **ESG (Expensive, Scarce, and Government-Controlled): How Anti-Energy Extremism Has Taken Over the Boardroom** - Jan 13 at 3 p.m. CST
- **Raising Texas' Energy IQ: Expanding Energy in Public Education** - Jan 14 at 2:15 p.m. CST
- **Keep the Lights (and Ventilators) On: The Future of Texas' Grid Reliability** - Jan 15 at 11:15 am CST

January 21: Permian Basin Association of Pipeliners – Odessa
Featured Speaker: Alliance President Jason Modglin | (https://permianbasinap.org/PBAP-Events/

January 28: Texas Energy Advocates Coalition – Houston
Speakers: Alliance President Jason Modglin & Halliburton Account VP Paul Sheppard
(https://shalemag.ticketleap.com/teac-and-texas-alliance/)

February 2: Fort Worth Society of Independent Professional Earth Scientists (SIPES)
– Fort Worth Petroleum Club, noon

$30,131,292

In Dividends Paid Back to Participants of the Texas Alliance of Energy Producers Insurance Programs*

Since Program Inception Date

One Star Insurance Solutions has teamed up with the TAEP to offer specialized insurance programs to members. These programs are available through any appointed insurance agent of your choice.

BITCO Insurance Companies TAEP Program	**Safety Group with Dividend plan for TAEP member oil lease operators and oilfield contractors (GL, Auto, Pollution)**
Excess Liability Coverage	**Follow-form excess coverage over BITCO's TAEP program**
Energy Program	**10% discount for TAEP members on property coverage—control of well, care custody and control, rig physical damage**
PEO / ASO Services	**Now offering Payroll, HR and Benefit Services through Congruity HR!**
TAEP Workers' Comp Safety Group	**Safety Group with Dividend plan for TAEP member oil lease operators and oilfield contractors (WC)**
Lost In Hole Equipment Program	**10% discount for TAEP members based on losses and rating**

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TEXAS Alliance of Energy Producers

www.1starins.com

www.texasalliance.org

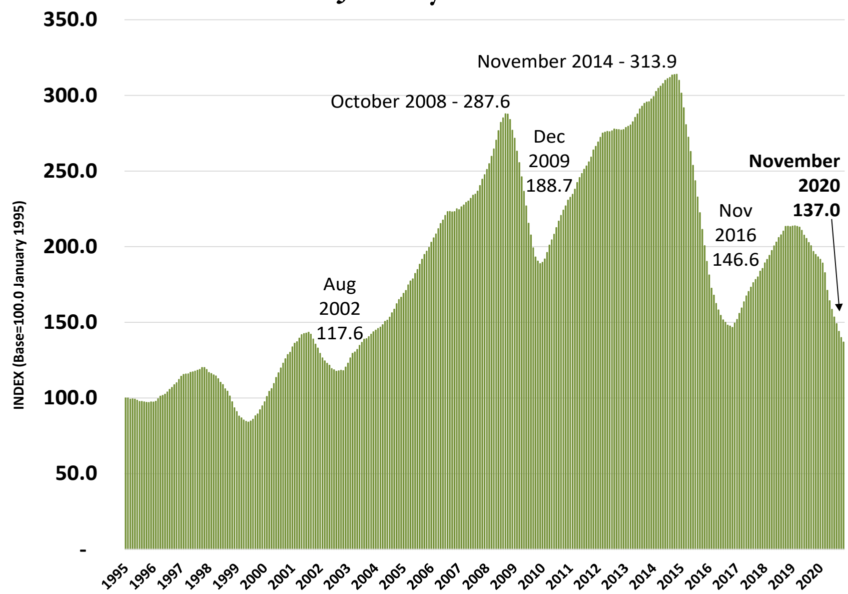
For further details, visit **www.1starins.com** or contact Curtis Heptner (940) 397-2771 or Curtis@1starins.com

*Dividends are not guaranteed and past dividends are no guarantee of future dividends

Texas Petro Index: 137.0

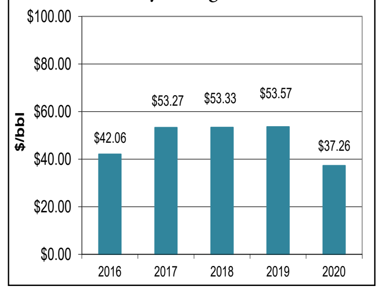
By Karr Ingham, Petroleum Economist

Texas Petro Index January 1995 - November 2020



Crude Oil Price

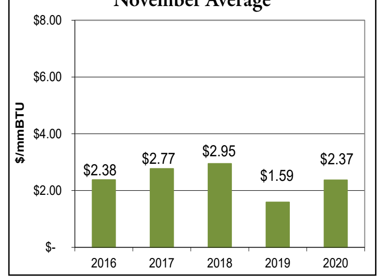
Nov Monthly Average (WTI Posted)



Natural Gas Price

HSC & Waha Physical Gas Prices

November Average



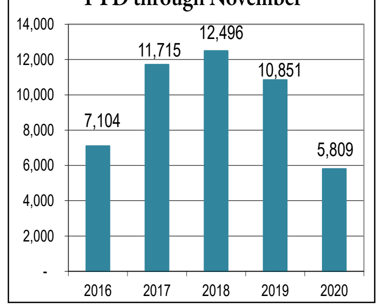
Texas Petro Index Indicators

November 2020	Base Year Nov 1995	Last Year Nov 2019	This Year Nov 2020	% Change 11/19-11/20
Oil Price/bbl (Mo. Average)	$ 16.27	$ 53.57	$ 37.26	-30.4%
Oil Price/bbl (YTD Avg)	$ 16.68	$ 53.21	$ 35.06	-34.1%
Natural Gas Price (First of Month Spot Index)	$ 1.64	$ 1.59	$ 2.37	49.5%
Gas Price (YTD Avg)	$ 1.42	$ 1.64	$ 1.57	-4.0%
Rig Count (Month)	255	410	144	-64.9%
Rig Count (YTD Avg)	251	468	212	-54.8%
Drilling Permits (Month)	889	958	382	-60.1%
Drilling Permits YTD	10,325	10,851	5,809	-46.5%
Oil Completions (Month)	335	711	803	12.9%
Oil Completions YTD	3,944	6,555	15,120	130.7%
Gas Completions (Month)	281	117	162	38.5%
Gas Completions YTD	3,491	1,655	4,122	149.1%
Oil Production Volume (000's bbls/month)	45,237	160,338	144,162	-10.1%
Oil Production Volume (000's bblsYTD)	505,827	1,686,438	1,641,362	-2.7%
Oil Production Value ($000's Month)	$ 736,002	$ 8,588,804	$ 5,371,231	-37.5%
Oil Production Value ($000'sYTD)	$ 8,436,532	$ 89,727,732	$ 57,818,284	-35.6%
Gas Production Volume (000's MCF/month)	471,889	905,978	847,026	-6.5%
Gas Production Volume (000's MCF YTD)	5,222,175	9,547,808	9,572,895	0.3%
Gas Production Value ($000's Month)	$ 771,538	$ 1,435,975	$ 2,007,451	39.8%
Gas Production Value ($000's YTD)	$ 7,436,128	$ 15,547,009	$ 14,965,885	-3.7%
Total Oil & Gas Employment (Month)*	124,400	212,995	150,300	-29.4%
Total Oil & Gas Employment (Avg YTD)	126,200	222,720	161,280	-27.6%
Oil and Gas Extraction Employment (Month)	72,450	75,445	70,000	-7.2%
Oil and Gas Extraction Employment (Avg YTD)	73,450	76,970	69,620	-9.5%
Oil and Gas Support Employment (Month)	51,950	137,550	80,300	-41.6%
Oil and Gas Support Employment (Avg YTD)	52,750	145,750	91,660	-37.1%
TEXAS PETRO INDEX (Base = 100 January 1995)	97.0	194.8	137.0	-29.7%

* Seasonal and other adjustments by Federal Reserve Bank of Dallas and Texas Alliance of Energy Producers

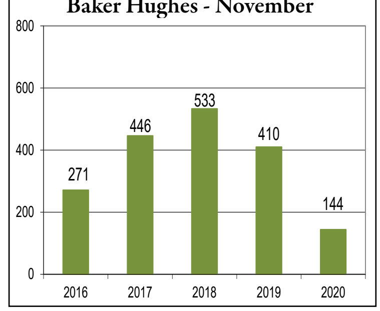
Texas Drilling Permits Issued

YTD through November



Texas Rig Count

Baker Hughes - November



Texas Petro Index Still Falling Amid Signs of Recovery

There will come a time when we can conduct the post-mortem on the COVID (and pre-COVID) contraction in the Texas upstream oil and gas economy, but that time is not now with the 21st straight monthly decline in the Texas Petro Index through November. As the industry sputters back to life, however, improvements in prices and the rig count will eventually – and hopefully sooner rather than later – lead to a trough in the TPI and the onset of a new cycle of recovery and expansion after a long and difficult contraction.

The Texas Petro Index in November declined to 137.0 for the month down from 139.9 in October, and down nearly 30% from the November 2019 TPI of 194.8. The TPI has lost some 36% of its value since reaching its cyclical peak in February 2019. The table of monthly upstream oil and gas indicators in Texas continues to indicate deep year-over-year negatives in crude oil prices, the rig count, the number of drilling permits issued, the statewide value of crude oil production, and upstream industry employment.

November 2020 estimated crude oil production was down by over 10% compared to November of the previous year. After falling by over a million barrels in April and May, over 400,000 bpd has been added back to statewide production through November. Daily production remains down by nearly 12% in November compared to the record daily production of over 5.4 million barrels in March.

As a reminder, the TPI was in contraction for over a year before COVID came along in March 2020. Prices were lower, rigs were in decline, and the industry was shedding employees throughout 2019. Clearly those trends worsened as a result of COVID with the number of rigs at work in Texas and the US falling to record low levels in 2020, and direct upstream industry employment in Texas falling by nearly 30% in 2020 alone.

Prices have improved, however, surpassing $50/bbl recently for the first time since February 2020. The rig count is climbing, and about 2,000 employees have been added back through November from the August COVID low point, following the loss of over 78,000 jobs since December 2018. Production has grown as wells have been restarted and some new production comes online. Natural gas prices have quietly improved as well, throwing a lifeline to a number of Alliance member independent companies who are primarily in the business of producing natural gas.

Texas Comptroller **Glenn Hegar** is predicting better times ahead with the release of the Biennial Revenue Estimate (BRE) this week in advance of the start of the 2021 legislative session. In the estimate, the Comptroller's office predicts a 10% increase in crude oil production tax receipts in the upcoming two-year budget cycle that will begin September 1, 2021, and a whopping 67% increase in natural gas production taxes. The two taxes combined are expected to comprise 8.3% of all taxes collected by the state over the course of the biennium.

START SAVING TODAY!

Top 10 Reasons To Choose the Texas Alliance of Energy Producers Healthcare Initiative Program

1. Premium savings over comparable traditional insurance plans.
2. Association (pooled) underwriting to further reduce rates.
3. Individual Health Questionnaires - only takes a few minutes to complete.
4. Start saving now – no need to wait until your renewal. Most carriers will allow you to opt out with a 30-day written notice.
5. YTD deductibles and out of pocket dollars are honored for the calendar year. EOB from prior carrier required for credit.
6. Free access to THINKHR, Compliance Software & Legislative Briefs for all groups signing up by year end through the TAEP Healthcare Initiative Program.
7. National Cigna Network or Direct contracting with regional partners.
8. Ability to offer additional ancillary benefits through the TAEP Healthcare Initiative Program.
9. State of art, HIPAA compliant enrollment platform.
10. Telemedicine with $0 copay included along with International Mail order for Brand Name drugs.

Get a Quote!

Large Group Quoting (over 100 employees) Requires:

- *Current Employee Census*
- *3 Years of Rate and Claims History*
- *Copy of Current Plans*

Small Group Quoting (less than 100 employees) Requires:

- *Current Census*
- *Individual Health Questionnaires*

Quotes returned in 72-96 hours

Data Gumbo's partnership with the Texas Alliance of Energy Producers deploys GumboNet™ to support cost savings and efficiencies in commercial transactions to deliver real-time lease operating expenses (LOE).

Alliance members can access GumboNet at a 20% discounted rate. The primary costs involved are simple transaction fees based on the value of the transactions that flow through the network.

Now, more than ever, it's an imperative to function in a low-cost environment. To do so, operators must know exactly what and how to cut.

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V111819_REV5

Tax Credit For Qualifying Low-Producing Oil Leases

Texas law provides a crude oil tax credit for low-producing oil leases, reports *Comptroller.Texas.Gov*.

Qualifications

1) A qualifying low-producing oil lease is a well classified as an oil well by the Texas Railroad Commission that is part of a lease whose production during a 90-day period is less than an average of:

- 15 barrels of oil per day of production; or
- 5 percent recoverable oil per barrel of produced water. This requires a $100 filing/application fee.

Production per well per day is measured by dividing the sum of lease production during the three-month period by the sum of the number of well-days, where a well-day is one well producing for one day. (A lease day is one lease producing for one day.)

2) Production per well per day is determined by computing the average daily well production from the lease using the greater of the monthly production from the well as reported in:

- the monthly lease production reports filed with the Texas Railroad Commission, including amended reports; and
- the monthly severance tax reports, including amended reports that are filed by producers and purchasers with the Comptroller's office and who report as liable for the tax.

Production reports not filed with the Texas Railroad Commission and the Comptroller's office for any of the prior three months will cause the lease to be ineligible for the tax credit.

3) Taxpayers must file Form AP-216, Texas Crude Oil Lease Tax Exemption Application (PDF) for approval of the tax credit for a low-producing oil lease, and all the required information must be provided. Any information listed below that is not provided in Form AP-216 will result in a delay in the approval process which could potentially cause a denial of a tax credit.

Certified Average Oil Price

- The amount of a tax credit can be 25%, 50%, or 100% and is based upon the Comptroller-certified average oil price posted on this webpage each month.
- The average oil price is based upon daily index prices for the prior three months for each report period.

Four-Year Statute of Limitations

- Four years from the due date of a report period determines the four-year statute of limitation date.
- Form AP-216 and applicable tax reports must be postmarked by the four-year statute of limitation date of the qualifying report period.
- The four-year statute of limitations does not apply to the prior three months listed on Form AP-216.

Tax credits for low-producing leases do not apply to production of casinghead gas.

Price Conditions

Oil from qualified leases becomes eligible for different levels of exemption from crude oil severance tax based upon the Comptroller-certified average price for the reporting month.

Pricing Schedules and Credit Eligibility by Month

2020		
Report Period	**Price of Oil**	**Eligibility**
December 2020	$28.46/bbl	Eligible for 25 percent Credit
November 2020	$28.60/bbl	Eligible for 25 percent Credit
October 2020	$27.68/b bl	Eligible for 25 percent credit
September 2020	$26.13/bbl	Eligible for 25 percent credit
August 2020	$22.24/bbl	Eligible for 50 percent credit
July 2020	$17.86/bbl	Eligible for 100 percent credit
June 2020	$17.62/bbl	Eligible for 100 percent credit
May 2020	$24.27/bbl	Eligible for 50 percent credit
April 2020	$34.63/bbl	Not Eligible for credit
March 2020	$41.99/bbl	Not Eligible for credit
February 2020	$43.48/bbl	Not Eligible for credit
January 2020	$42.38/bbl	Not Eligible for credit

Click here to download the entire article.

Natural Gas And Crude Oil Prices

For a daily tracking of natural gas and crude oil prices that have been reported monthly in *NewsLine*, please click here.

Physical Gas Prices - Monthly Average for December 2020

Henry Hub	HSC	Katy Hub	NGPL Midcon	NGPL TX / OK	Waha Hub	NYMEX
$ 2.58	$ 2.56	$ 2.56	$ 2.39	$ 2.40	$ 2.42	$ 2.58

Crude Oil Monthly Averages for December 2020

	NORTH TEXAS SWEET				
	Phillips 66	Plains	Shell	Sunoco	Valero
Monthly Average	$ 43.85	$ 43.68	$ 43.64	$ 43.71	$ 43.60

	WEST CENTRAL TEXAS INTERMEDIATE				
	Phillips 66	Plains	Shell	Sunoco	NYMEX
Monthly Average	$ 43.80	$ 43.63	$ 44.54	$ 43.71	$ 47.23

	SOUTH TEXAS LIGHT			
	Plains	Shell	Sunoco	Valero
Monthly Average	$ 37.45	$ 37.34	$ 37.48	$ 40.87

	EAST TEXAS FIELD			
	Plains	Shell	Sunoco	NYMEX
Monthly Average	$ 40.95	$ 43.59	$ 40.98	$ 47.23

Help Us Help You

Use this Membership Form to sign up clients, vendors or other energy professionals

TEXAS Alliance of Energy Producers

Membership Opportunities:

- **Basic Membership - $240** 12-Month Membership for one person
- **Corporate Membership - $325** 12-Month Membership for up to five (5) persons
- **Black Gold Membership - $750** 12-Month Membership for up to seven (7) persons
- **Chairman's Roundtable - $1,250+** 12-Month Membership for up to nine (9) persons

All above Membership Levels include the following benefits:

- Representation on issues at the Railroad Commission, the Texas Legislature, and the Congress by experienced government relations team;
- Opportunity to serve on Alliance committees, Board of Directors and as an officer;
- Eligible to receive member discount and dividend in Alliance endorsed insurance programs;
- Access to important oil and gas price information;
- Opportunity to sponsor and participate at all Alliance events and to network with decision-makers in oil patch;
- Receive monthly newsletter, **NewsLine**; digital newsletter **Energy Beat**; daily **News Report**; and **American Oil & Gas Reporter Magazine**;
- Special briefing by staff on state and federal issues by Alliance staff; and
- Discount for members on office equipment through Canon.

- **President's Forum - $10,000+** 12-Month Membership for up to twenty (20) persons

Membership benefits include:

- All benefits listed above
- Invitation to Legislative Planning meeting in Austin for Texas Legislative Sessions;
- Gold Level Sponsorship at Alliance Expo & Annual Meeting;
- Availability for Alliance staff to speak at your company's events on a case by case basis;
- One webinar per year on topic of member's choice utilizing Alliance unique regulatory skills;
- Special recognition for you and your company at all Alliance events;
- Social media support of member including press releases or other approved items with Alliance members; and
- Opportunity to sponsor and participate in private legislative meetings with key members during Texas Legislative Sessions.

Texas Alliance of Energy Producers Membership Form

For assistance, contact Jo Ann Baker at joannb@texasalliance.org or 940-723-4131.

Name ______________________ Title ______________________

Company ______________________ Address ______________________

City/State/Zip ______________________ Telephone ______________________

Fax ______________________ E-mail ______________________

Membership Level: $ __________ Payment Options: ___ Bill my MasterCard ___ Bill my Visa ___ Bill my AmExpress

Credit Card # ______________________ Exp Date (mo/yr) __________

Name on card ______________________ Security Code (on back of card) ________

Cardholder's Billing Address: ______________________ City/State/Zip ______________________

Cardholder's Signature ______________________

Mail form & payment to Texas Alliance of Energy Producers, 705 8th Street, Suite 705, Wichita Falls, TX 76301

For federal income tax purposes, 64% of the Alliance's dues may be deductible as an ordinary and necessary business expense, but not as a charitable contribution.

Texas Alliance of Energy Producers
705 8th Street, Suite 705
Wichita Falls, Texas 76301
940-723-4131 | 800-299-2998

Address Service Requested

ALLIANCE OFFICES

705 8th Street, Ste 705, Wichita Falls, TX 76301
940-723-4131 | joannb@texasalliance.org

1000 West Avenue, Ste B, Austin, TX 78701
512-505-8898 | jasonm@texasalliance.org

New Membership Benefit:
Regulatory-Hotline@texasalliance.org

www.TexasAlliance.org