# The PIOGA Press

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## A Methane Mixed Bag: EPA Finalizes Methane Rule for New and Existing Oil and Gas Facilities

Babst Calland - Gary E. Steinbauer and Christina M. Puhnaty

On December 2, 2023, the U.S. Environmental Protection Agency (EPA) released a pre-publication version of its final Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review (Final Rule). The Final Rule comes more than two years after EPA published its initial proposal on November 15, 2021 (Initial Proposal) and a supplemental proposal on December 6, 2022 (Supplemental Proposal) (collectively, the "Proposals"). According to EPA, the agency received over one million comments on the Proposals. *(For information on the Proposals, please see our November 11, 2021 and December 12, 2022 articles.)* This Alert focuses on critical aspects of the Final Rule, including key changes that EPA made since issuing the Proposals. [1]

### Brief Overview of Methane Rule

The Methane Rule is comprised of four separate actions proposed under sections 111(b) and 111(d) of the Clean Air Act. EPA currently regulates emissions of volatile organic compounds (VOCs) and methane from oil and natural gas facilities under 40 C.F.R Part 60 Subparts OOOO[2] and OOOOa[3]. First, through this Final Rule, EPA will regulate oil and natural gas facilities constructed, modified, or reconstructed after **December 6, 2022**, under a new Subpart OOOOb. **The requirements in OOOOb will apply to affected facilities 60 days after the rule is published in the federal register.** Second, under a new Subpart OOOOc, EPA finalized emissions guidelines that are intended to inform states in the development, submittal, and implementation of state plans to establish standards of performance for greenhouse gases (in the form of limitations on methane) from sources existing on or before **December 6, 2022.** Under the Final Rule, states and tribes are required to submit plans to EPA for review within 24 months of the publication of the Final Rule in the Federal Register, with a compliance deadline for existing sources that is no later than 36 months after the deadline to submit the plan to EPA. Third, the Final Rule amends OOOOa in response to Congress' June 2021 revocation of regulatory amendments made by EPA under the Trump administration. Fourth, the Final Rule also includes "Appendix K," a protocol for determining leaks using Optical Gas Imaging (OGI) that EPA now requires at natural gas processing plants regulated by OOOOb or OOOOc.

### Key Requirements of Methane Rule

Significant changes from the existing OOOO and OOOOa regulatory frameworks include:

- **Super Emitter Program**: The Final Rule will allow certified third parties to monitor well sites, centralized production facilities, and compressor stations regulated by OOOO, OOOOa, OOOOb, or OOOOc using specific remote detection technologies for "super-emitter emission events," which are defined as emission events resulting in 100 kilograms (220.5 pounds) per hour or more of

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methane. These third parties are required to submit notifications of super emitter events to EPA's Super Emitter Program Portal within 15 calendar days of the observation. Upon receipt of a notification by a third party, owners and operators of these facilities would be required to initiate an investigation within five days and report the results of that investigation to EPA within 15 days. EPA plans to publish online the information that EPA receives through the Super Emitter Response Program, which will include an identification of the operator responsible for the super emitter event after giving the operator the opportunity to respond to EPA regarding the event.

- **Storage Vessel Applicability Threshold Now Applies to Tank Batteries**: EPA has finalized its proposed expansion of its regulation of oil and gas-related storage vessels under both Subparts OOOOb and OOOOc. Currently, Subpart OOOOa storage vessel regulations are limited to VOC emissions and based on a VOC potential to emit (PTE) of 6 tons per year (tpy) for a single storage vessel. Under Subpart OOOOb, EPA includes the same 6 tpy VOC PTE applicability threshold, adds a methane applicability threshold of 20 tpy, and applies these thresholds to a single storage vessel or the aggregate potential emissions from a "tank battery," i.e., a group of storage vessels that are adjacent and receive fluids from the same operation or are manifolded together. As for storage vessels at existing facilities, EPA will regulate existing tank batteries meeting the 20 tpy methane threshold. For storage vessels meeting these threshold requirements, EPA requires a 95% reduction of VOC and methane by routing emissions through a closed vent system to a control device.

- **Fugitive Emissions Monitoring Required at All Well Sites:** At 40 CFR § 60.5397a(1), OOOOa currently excludes low-production well sites from fugitive emissions monitoring requirements. The Final Rule, however, requires fugitive emissions monitoring at all well sites, though the frequency and level of monitoring varies by site based on its configuration and the presence, if any, of production equipment. For example, single wellhead-only and small well sites must conduct quarterly audio, visual and olfactory (AVO) inspections, while multi-wellhead only well sites must do semiannual OGI inspections in addition to quarterly AVO inspections. Well sites with major production and processing equipment must conduct AVO inspections every other month and quarterly OGI inspections. Compressor stations are required to conduct monthly AVO inspections and quarterly OGI inspections.

- **First-time Requirements for Oil Wells with Associated Gas:** For the first time, EPA will require that associated gas from new, reconstructed, or modified oil wells be routed directly to a sales line. In situations where gas-producing oil wells do not have access to a sales line, associated gas would need to be used on-site as a fuel source, used for another purpose that a purchased fuel or raw material would service, or be routed to a flare or other control device achieving 95 percent reduction of methane and VOC emissions. The Final Rule separates new associated gas wells into multiple groups based on when construction is commenced to establish a two-year "phase-in" period for the application of the final standards. EPA requires that these same standards apply to existing oil wells with associated gas.

- **Well Closure Plans:** The Final Rule includes a new suite of well closure requirements. Under these requirements, owners and operators of well sites are required to submit a closure plan to EPA within 30 days of the cessation of production and a notification to EPA 60 days before well closure activities begin. The contents of the well closure plan would need to include the steps necessary to permanently plug all wells, a description of financial requirements and assurance to complete closure, and the schedule for completing closure. Well surveys using OGI are required at the well site following well closure activities.

Additional notable requirements include the use of zero-emission pneumatic controllers and pneumatic pumps, a "no identifiable emissions" standard for closed vent systems, and the use of best management practices aimed to minimize or eliminate VOC or methane emissions during well liquids unloading. ■

If you have any questions about the applicability of the Final Rule to your operations, please contact Gary E. Steinbauer at (412) 394-6590 or gsteinbauer@babstcalland.com or Christina Puhnaty at (412) 394-6514 or cpuhnaty@babstcalland.com.

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*[1] The Final Rule is 1690 pages, which does not include the Regulatory Impact Analysis and other documents in the rulemaking record. A detailed evaluation of each potentially applicable requirement is warranted, and this Alert provides only a high-level summary of certain provisions.*

*[2] Specified affected facilities constructed, reconstructed, or modified after August 23, 2011 and on or before September 18, 2015 are regulated under Subpart OOOO.*

*[3] Specified affected facilities constructed, reconstructed, or modified after September 18, 2015 and on or before November 15, 2021 are regulated under Subpart OOOOa.*

## 2024 PIOGA Committee Schedule

**Market Development and Environmental Committee** (Market Development 9-10:30 am. Environmental 10:45 am - 12:30 pm.)

*February 14 – Virtual*
*March 13 – Kriebel Energy, Clarion*
*April 10 – Virtual*
*May 8 – Travel day TBD*
*June 12 – Virtual*
*July – Shell Cracker Plant Tour. Date TBA*
*August 14 – Virtual*
*September 11 – Travel day TBD*
*October 9 – Virtual*
*November 13 – Travel day TBD*
*December 11 – Virtual*

**Membership Committee** (In-person meetings will be held from 1-2 pm. Virtual meetings will be held from 2-3 pm. Check website for location of meetings)

*February 15 - In-person after PIOGA Board Meeting*
*March 12 - Virtual*
*April 25 - In-person*
*May 14 - Virtual*
*June 20 - In-person*
*July 9 - Virtual*
*August 15 - In-person*
*September 10 - Virtual*
*October 17 - In-person*
*November 12 - virtual*
*December 19 - In-person*

**Legislative Committee** (1:30 - 3 pm. All Legislative Committee Meetings are virtual/call-in only.) *March 7; April 4; May 1; June 6; July 11; August 1; Sept. 5; Oct. 3; Nov. 7; and Dec. 5.*

**Diversity Committee** (9-10 am. All Diversity Committee Meetings are virtual/call-in only.) *March 5; June 11; Sept. 3; and Dec. 3.*

PIOGA committee chairs and staff are hoping to see more people in-person in 2024! The committee meetings are more collaborative and valuable when our members are in the same room.

Please contact Deana McMahan at deana@pioga.org or 724-933-7306 ext. 23 if you are interested in joining a committee or have any questions about the schedule.

Committee meetings are for PIOGA members only and dates are subject to change. Go to www.pioga.org for up*dates.*

## PIOGA - Diversity Committee Article

### The Transformative Power of Diversity and Inclusion in the Workplace

Author: Michael E. Flowers - Steptoe & Johnson

In the ever-evolving landscape of the global economy, companies are realizing the profound impact that a diverse and inclusive workforce can have on their success. Beyond mere compliance with regulations, fostering diversity and inclusion has become a strategic imperative for businesses aiming to thrive in the 21st century. In this article, we will delve into ten compelling reasons why every company, regardless of its industry, stands to benefit significantly from embracing diversity and inclusion.

**1. Enhanced Creativity and Innovation**

A diverse team brings together individuals with varied backgrounds, perspectives, and life experiences. This diversity of thought becomes a hotbed for creativity and innovation. When employees with different viewpoints collaborate, they are more likely to generate a wide array of ideas, leading to groundbreaking solutions and products that cater to a diverse market.

**2. Better Decision-Making**

A diverse and inclusive workforce fosters a decision-making environment that is more robust and well-rounded. The multiple perspectives at the table lead to more comprehensive analyses of challenges and opportunities. Input diverse input helps companies make more informed decisions, reducing the likelihood of blind spots and groupthink.

**3. Attracting Top Talent**

In a competitive job market, top talent seeks out employers that value diversity and inclusion. Companies that actively promote these principles create a positive reputation and become magnets for the best and brightest professionals. A diverse workforce sends a powerful message to potential employees that the company values their unique contributions and is committed to creating an inclusive environment.

**4. Increased Employee Engagement and Satisfaction**

Employees who feel included and respected are more likely to be engaged in their work. A diverse and inclusive workplace promotes a sense of belonging, which, in turn, leads to higher job satisfaction and improved morale. When individuals feel valued for their contributions regardless of their background, they are more likely to be invested in the success of the company.

**5. Broader Market Appeal**

A diverse workforce mirrors the diversity of the customer base. Having employees who can relate to and understand different cultures and demographics positions a company to connect more effectively with a broader range of customers. This, in turn, can lead to increased market share and a stronger competitive edge.

**6. Global Expansion and Adaptability**

In an era of globalization, companies with a diverse workforce are better positioned to navigate the complexities of international markets. Cultural intelligence and a deep understanding of diverse markets become invaluable assets. A diverse team is more adaptable and can more effectively respond to the challenges and opportunities presented by different regions and cultures.

**7. Compliance with Regulations**

While this might be the most straightforward reason, it is nonetheless crucial. Many regions have regulations in place that require companies to promote diversity and inclusion. By proactively embracing these principles, companies not only comply with legal requirements but also demonstrate a commitment to social responsibility.

**8. Reduced Employee Turnover**

A workplace that values diversity and inclusion is more likely to retain its employees. When individuals feel that their contributions are recognized and respected, they are less likely to seek opportunities elsewhere. This reduction in turnover not only saves the costs associated with recruitment and training but also contributes to the stability and continuity of the company.

**9. Improved Reputation and Brand Image**

Consumers are increasingly conscious of the values and practices of the companies they support. A commitment to diversity and inclusion can enhance a company's reputation and brand image. Customers are more likely to engage with and support businesses that align with their values, contributing to long-term brand loyalty.

**10. Fostering a Culture of Respect and Empathy**

Beyond the tangible benefits, a diverse and inclusive work-

*Continues on next page*

place helps foster a culture of respect and empathy. Employees learn to appreciate differences, leading to a more harmonious work environment. This, in turn, contributes to a positive company culture where individuals feel comfortable expressing themselves and collaborating with colleagues.

### Conclusion

In conclusion, the business case for diversity and inclusion is compelling. Beyond being a moral imperative, it is a strategic advantage that enhances creativity, decision-making, and employee engagement. Companies that actively cultivate diverse and inclusive workplaces not only reap the benefits internally but also position themselves as leaders in a global marketplace that values diversity and equality. As we move forward, it is clear that diversity and inclusion are not just checkboxes on a corporate to-do list but fundamental elements of a successful and sustainable business model. ■

*Michael E. Flowers is a member of the Business Department of Steptoe & Johnson PLLC. Resident in the firm's Columbus office, Mike focuses his practice on general corporate and commercial real estate matters. Mike is also the firm's Director of Diversity & Inclusion. In this role, he coordinates the firm's ongoing efforts to achieve the benefits, for the firm, its clients, and its commu-*

## Safety Committee Update

In 2024, the Safety Committee will be partnering with the Appalachian STEPS program and holding the Safety Committee meetings in conjunction with the STEPS quarterly meetings.

The first quarterly meeting was held February 8th with GO WV. The next meetings are May 9 (PIOGA), August 8 (OOGA) and November 14 (joint meeting). The meetings will be from 10 am to 2 pm with lunch provided.

For more information on the new Safety Committee meeting schedule and partnership, please reach out to Deana McMahan (deana@pioga.org).

**PIOGA's Membership Committee** focuses on growing and retaining PIOGA members. The Committee's mission statement is to ensure the sustainability and growth of PIOGA via connection with current members, potential members, and the public about the value the association holds in the oil and gas industry.

Any members interested in joining the committee should Contact Jessica Houser (jhouser@wgmexcavation.com) or Don Zuch (dzuch@fusilierresources.com)

# Navigating PFAS Compliance in the Oil and Gas Industry

Author: David L. Palmerton

The U.S. Environmental Protection Agency (EPA) is intensifying its efforts to regulate per- and polyfluoroalkyl substances (PFAS) chemicals, which may include setting enforceable standards for these substances in drinking water and other environments. Part of this effort involves increased monitoring and reporting to better understand the prevalence and effects of PFAS.

Although there are over 10,000 known PFAS variants, regulatory focus is currently limited to a small fraction, with the extent of regulation varying globally. The oil and gas sector, often scrutinized for environmental concerns, must be cautious about past and present usage of fluorinated surfactants, such as those used for stimulating oil wells during water flooding and in foam-inducing hydrocarbon liquids. Historically, drilling fluids containing long chain perfluoroalkyl groups, like perfluorooctanesulfonamide, were employed. Additionally, fluorinated surfactants have been used to initiate and enhance fractures in formations. PFAS has also been used in chemical driven gas production.

Polymeric PFAS has also been applied in drilling, notably in insulating communication cables. Insulations crafted from materials like PFA, FEP, or ETFE (TEFZEL) can endure the extreme heat encountered at well bottoms. Fluoropolymers are also utilized in lining pipes for oil pipelines.

Fluorosurfactants, with fluorine atoms substituting hydrogen atoms in their hydrophobic segment, exhibit unique characteristics such as remarkable stability, resistance to heat and chemicals, and the ability to repel oil and water. Given the environmental persistence and bioaccumulation of PFAS, concerns over their ecological and health impacts are escalating, leading to heightened scrutiny and regulation.

Under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA or Superfund), the EPA is moving to classify perfluorooctanoic acid (PFOA) and perfluorooctane sulfonic acid (PFOS) as hazardous substances. This classification aims to aid in cleaning contaminated sites and reducing human exposure to these chemicals. No doubt other PFAS will be added in time.

With PFOA and PFOS potentially listed as hazardous under CERCLA, facilities would be mandated to report releases exceeding the designated reportable quantity (RQ). The proposed threshold is a release of one pound or more within 24 hours. Designating these substances as hazardous implies an inherent threat, expediting remediation responsibilities and enabling cost recovery for decontamination by the EPA and other entities.

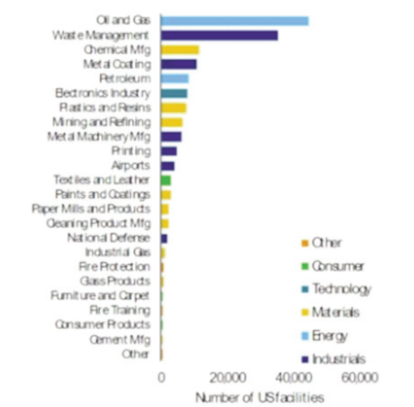
The public notice for rulemaking was issued in September 2022, with the comment period concluding in November 2022. The finalization of the rule is anticipated by March 2024.

Oil and gas companies with a history of PFAS usage might face investigations into prior disposal practices and contamination. The long-lasting nature of PFAS contamination could result in extended liability periods, where companies might be held accountable for remediation and damages for past practices. This development comes as the regulatory framework for PFAS undergoes rapid changes, with various states like Colorado, Montana, Pennsylvania, Texas, and others implementing or updating PFAS standards in response to emerging concerns and research.

The chart at the right was produced using EPA data and identifies the oil and gas industry as first in a list of industries that may have handled PFAS products. Hardly an indictment but data like this will be used to push a narrative of environmental harm.

**Exhibit 17: ...specifically led by facilities in the Oil and Gas, Waste Management, and Chemical Manufacturing industries**

Number of facilities that have been identified by the US EPA as possibly handling, using, or releasing PFAS chemicals by industry




Source: BofA US ESG Research. US Environmental Protection Agency (EPA). Note: These industry sectors were identified from literature reviews and other investigation undertaken by EPA.

It is important to note that oil and gas development typically operates as a closed system, with well casings and cementing to safeguard groundwater. Fracking is conducted at depths well below drinking water aquifers, and non-reused produced water is captured and injected into cased and cemented disposal wells. Regulations exist to contain drilling and fracturing fluids and protect water resources.

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As regulations around PFAS are still evolving, there may be uncertainty about future requirements and how they will impact the industry. Companies could face legal challenges, including lawsuits from communities or individuals affected by PFAS contamination.

Increased regulation of PFAS could lead to stricter compliance requirements and failure to meet these regulations could result in significant fines and penalties. The costs associated with remediation, legal challenges, and compliance could significantly impact the financial health of oil and gas companies.

Companies may need to alter their operations to reduce or eliminate the use of PFAS. This could involve researching and implementing alternative substances or technologies.

Overall, the increased focus on PFAS use in the oil and gas industry could have significant financial, operational, legal, and reputational implications for companies in this sector. The oil and gas industry should consider evaluating their potential liability exposure and keep up to date with regulatory developments in this area, as many federal and state laws related to PFAS are currently in development. ■

*David L. Palmerton, Jr., PG, has more than 35 years of experience in environmental consulting in environmental liability assessment, investigation, remediation, due diligence, and construction quality control. His experience includes consulting with large commercial, industrial, and academic entities. He also has extensive experience with the energy industry, specifically oil and gas upstream operations. Mr. Palmerton is a professional geologist in several states and a former Certified Hazardous Materials Manager.*

## An Increase in LNG Exports Could Lead to Higher Seasonal Price Volatility

The U.S. is expected to expand LNG export capacity to 25 Bcf/d by 2028, which could cause volatility in natural gas prices, with different patterns in summer versus winter months. Is the market prepared for more pronounced seasonal swings?

The Henry Hub forward curve as of December 2023/January 2024 implies a tighter supply/demand balance in future years. The rise in forward prices is primarily caused by planned U.S. LNG export capacity changing the fundamentals of the forward prices. As the U.S. natural gas market becomes more reliant on LNG exports as a primary driver in demand, it's possible that seasonal price volatility will increase. The summer and fall months could be more susceptible to price deterioration, whereas winter months or peak demand months could see an increase in price risk premiums.

Recently, the spread has changed, showing October 2024 through January 2025 changed since late 2021 from -$0.425 to -$1.118. The spread is wider than we have seen in the October through January period. What is causing the wider spreads? We believe that it is consistent with more anticipated export demand as the U.S. adds additional capacity, and that demand will follow similar seasonal swings.

Since natural gas swings have already occurred in the first few weeks of 2024 with colder seasonal weather, and since LNG is a seasonal fuel burned mostly in the northern hemisphere in winter, we expect seasonal price volatility to increase in the future.

## Oil and Gas M&A Outlook

We have entered a period of accelerated M&A activity, with two global megadeals leading the way: ExxonMobil's $59.5 billion purchase of Pioneer Natural Resources and Chevron's $53.0 billion acquisition of Hess.

Over the previous 21 months, we've seen an increase in activity, and an increase in overall deal value while companies maintain fiscal discipline demanded by investors. The list represents M&A activity since the second quarter of 2022.

What is driving the uptick in deals? Strong commodity prices over the previous few years have allowed companies to strengthen their balance sheets, fueling the M&A trend. Additionally, continued conflicts in the Middle East and the Russian/Ukraine War as well as OPEC+'s extension of production cuts indicate that commodity prices will remain at current levels or increase over the next year. Companies also expect higher natural gas demand as the U.S. continues to build more LNG export facilities.

Since companies expect to see stable or increased commodity prices, and with continued international conflict, and with the appearance that the energy transition is farther off than originally expected, we expect to see continued M&A activity as companies build their inventories. ■

| Target | Acquirer | Value (Bil) | Date |
|---|---|---|---|
| Ensign Natural Resources Eagle Ford Assets | Marathon | $3.0 | Q2 2022 |
| Validus Energy | Devon Energy | $1.8 | Q2 2022 |
| EnVen Energy | Talos Energy | $1.1 | Q3 2022 |
| Rockcliff Energy | Tokyo Gas | $4.6 | Q1 2023 |
| Lario Permian | Diamondback Energy | $1.5 | Q1 2023 |
| Chesapeake Eagle Ford Assets | Wildfire Energy | $1.4 | Q1 2023 |
| Chesapeake Eagle Ford Assets | INEOS | $1.4 | Q1 2023 |
| Advance Energy Partners | Matador Resources | $1.6 | Q1 2023 |
| Ridgeback Resources | Saturn Oil & Gas | $0.4 | Q1 2023 |
| PDC Energy | Chevron | $7.6 | Q2 2023 |
| Black Swan/PetroLegacy/Piedra | Ovintiv | $4.3 | Q2 2023 |
| Ovintiv Bakken | Encap | $0.8 | Q2 2023 |
| Taprock Resources/Hibernia Energy Assets | Civitas Resources | $4.7 | Q2 2023 |
| PureWest Energy | Fortress Investment Group | $1.8 | Q2 2023 |
| Novo Oil and Gads Holdings | Earthstone Energy | $1.5 | Q2 2023 |
| Ranger Oil Corporation | Baytex Energy Corporation | $2.9 | Q2 2023 |
| THQ Appalachia LLC | EQT | $4.5 | Q3 2023 |
| Henry Resources Permian Assets | Vital Energy | $1.2 | Q3 2023 |
| Crescent Point North Dakota Assets | Kraken Resources | $0.5 | Q3 2023 |
| Percussion Petroleum Delaware Basin Assets | Callon Petroleum | $0.5 | Q3 2023 |
| Callon Petroleum Eagle Ford Assets | Ridgemar | $0.7 | Q3 2023 |
| Private entity Delware/Midland Basin Assets | Kimbell Royalty | $0.5 | Q3 2023 |
| Earthstone Energy | Permian Resources | $4.5 | Q3 2023 |
| Chesapeake South Texas Assets | SilverBow Resources | $0.7 | Q3 2023 |
| Denbury Resources | ExxonMobil | $4.5 | Q3 2023 |
| Pioneer Natural Resources | ExxonMobil | $59.5 | Q4 2023 |
| Hess Corporation | Chevron | $53.0 | Q4 2023 |
| Vencer Energy Midland Basin Assets | Civitas Resources | $2.1 | Q4 2023 |
| CrownRock | Occidental | $12.0 | Q4 2023 |
| Callon Petroleum | APA Corporation | $4.5 | Q1 2024 |
| Southwestern | Chesapeake | $7.4 | Q1 2024 |

*The Schneider Downs Energy & Resources industry group provides specialized financial advice and services to our clients in the oil and gas, mining and aggregates, forest products and alternative fuel and energy industries throughout the Columbus and Pittsburgh regions.* *https://www.schneiderdowns.com/*

## PIOGA's Cigar Networking Event

**Thursday, February 29th**

**6-9 pm @ BURN by Rocky Patel**

Smoke 'Em If You Got 'Em - come join PIOGA at BURN (346 North Shore Drive - Pittsburgh) for an evening of networking, food, cigars and drinks!

Registration fee includes: unlimited wine, domestic beer, heavy appetizers and a (2) cigar pairing!

**For more information and to register:** https://pioga.org/event/pio-gas-cigar-networking-event/


PIOGA's Diversity Committee and The Women's Energy Network (Greater Pittsburgh Chapter) invite you to our second joint Happy Hour as we kick-off PIOGA's Spring Conference.

**Wednesday April 17th 6-9 pm**

**@Voodoo Brewing (North Shore)**

**For more information and to register:** https://pioga.org/event/piogas-spring-meeting-happy-hour-kick-off/

PIOGA Pennsylvania Independent Oil & Gas Association PIOGATech

PIOGA's Technical Seminar Series

## 2024 First-Aid/CPR/AED Training & Certification Class

**Wednesday, March 6th**

**8:30 am - 4 pm @ CNX - Washington**

Upon successful completion of this training, you will earn a certification that satisfies OSHA-mandated job requirements, workplace or other regulatory requirements, and is valid for 2 years. From personalized learning to interactive scenarios to peer-to-peer learning and hands-on skill practice, the course will be taught by certified Instructors who are members of PIOGA member companies. The training will provide you with the knowledge and skills to ensure you can provide life-saving care when it's needed most that includes cardio-pulmonary resuscitation (CPR), First-aid, and the use of an automated external defibrillator (AED). Be prepared to act when emergencies arise to be one who can spring into action when trouble strikes to help people in the "minutes that matter".

**For more information and to register:** https://pioga.org/event/2024-first-aid-cpr-aed-training-certification-class/

Deadline to register is February 28th.

## CLIMATE, COMMODITIES AND CHAOS
## Threats to a Strong U.S. Energy Game Plan

April 18th @ The Grand Ballroom – Rivers Casino

As the oil and gas industry changes, it's crucial to stay ahead of the curve. From the industrial revolution to the current day, fossil fuels have seen a dramatic climate shift due to changes in regulations, consumer preferences, government intervention and economics. Industry commodities are headed to a different and uncertain place – which can be seen through market sentiment, prices, production, and corporate actions such as mergers. The future of energy is in complete disorder and confusion – the definition of chaos. The threats to the industry seem overwhelming but together we can create a strong game plan.


PIOGA presents 'Climate, Commodities and Chaos – Threats to a Strong U.S. Energy Game Plan' and all-day conference to help the industry in Pennsylvania state ahead of the curve. **For more information and to register:** https://pioga.org/event/spring-meeting-2024/

**Attention PIOGA Members!**


We would like to offer our members the opportunity to introduce yourself/your company to other members via our monthly newsletter, ***The PIOGA Press***. The PIOGA Profile section of the newsletter gives members a chance to share information about their company and the products and services they offer to others in Pennsylvania's oil and natural gas industry. We encourage you to take advantage of this free member service!

Interested in submitting a PIOGA Profile or any other article/news release for ***The PIOGA Press***? Contact Meghan Keely – meghan@pioga.org.

**Check out PIOGA's Tech Team's Podcast**

***INFOSEC with the 3 Hackateers!***

www.sher-technologies.com


**Check out PIOGA's Educational fact sheets - focused on the oil and gas industry!**


The ***JUST THE FACTS*** series can be found on PIOGA's website!

To read the ***Just The Facts*** and to share it with friends and colleagues - visit the Latest News and Blog section at pioga.org.

# Colorado Supreme Court Clarifies the Law Applicable to Oil and Gas Leases

Article provided by Steptoe & Johnson PLLC

The Colorado Supreme Court on November 20, 2023, issued a long-awaited decision that reversed a 2021 panel of the Colorado Court of Appeals by rejecting the universal application of the "commercial discovery rule" to Colorado oil and gas leases. The announcement stems from the Board of County Commissioners of Boulder County v. Crestone Peak Resources Operating LLC.

Rejecting the application of any universal definition of the word "production" (such as the commercial discovery rule), the Supreme Court held that "each oil and gas lease" in Colorado should be interpreted "on its own terms" and the goal of parties and the courts should be to "determine the parties' meaning within the context of the lease."

As background, in 2021, a panel of the Colorado Court of Appeals held that an oil and gas lease in Colorado only terminates in its secondary term under a cessation-of-production clause if wells on leased or pooled lands are incapable of producing oil and gas in commercial quantities. The panel also rejected arguments that cessation-of-production clauses are triggered whenever production ceases from leased or pooled lands during the secondary term regardless of whether such cessation is temporary or permanent.

Among the many other important observations of the Supreme Court in reversing the decision are the following:

- Oil and gas leases are different from other Colorado contracts because they are both a conveyance and a contract.
- In Colorado, it is the intent of the original parties to an oil and gas lease that matters, and intent should ordinarily be gleaned from the language used in the lease as well as the expressed purpose of the lease and the terms and remedies chosen by the original parties.
- The nature of the primary term of an oil and gas lease differs in many respects from that of the secondary term, and the standard for determining whether sufficient production has been achieved during the secondary term may differ as well.
- To avoid unduly depriving lessees of their investment, courts should exercise greater caution when assessing and determining whether an oil and gas lease has terminated during its secondary term due to a cessation of production.
- Although the commercial discovery rule may aptly reflect the intentions of the parties to some oil and gas leases, it is unnecessary and unwise to universally impose its definition of production in every oil and gas lease regardless of the context and the other provisions chosen by the parties.
- Cessation-of-production clauses are savings clauses intended to extend, and not restrict, a lessee's rights during the secondary term, and they may or may not eliminate or avoid the operation of the common law temporary cessation doctrine.
- Shut-in-royalty clauses are savings clauses that should be given meaning and not rendered superfluous through an interpretation of a cessation-of-production or other lease clauses. ■

*Authors: Diana S. Prulhiere and David R. Little*

STEPTOE & JOHNSON PLLC

# David Blackmon: The One Simple Reason Electric Vehicles Are Doomed To Fail

In a story that seems to be becoming increasingly common as time goes on, The Western Journal reported this week about a Canadian EV owner experiencing some massive sticker shock over the cost of replacing the damaged battery in his electric vehicle.

Now, those of us who have always driven internal combustion engine (ICE) cars have at one time or another been faced with big repair bills for some of those vehicles. I can remember spending $4,000 on a new radiator for a 10-year-old Infiniti QX 50 with 220,000 miles on it that I just couldn't bear to part with several years back. I did finally retire that wonderful vehicle when faced with the prospect of a $6,000 tag for a rebuilt transmission.

So, all cars will eventually cost you or your insurance company big money to repair — no one is saying that's unique to EVs. But where EVs are concerned, it's the magnitude of the price for replacing a damaged or worn-out battery that is often quite eye-popping.

I wrote a story in September about a fellow in the U.S. deciding to junk his paid-off EV when he got an estimate of $30k to replace his battery. We now see frequent reports that auto insurance companies are charging higher rates for EVs than for comparable ICE cars due in large part to this extravagant battery replacement cost.

If you think that $30,000 is extravagant, well, get ready, because it apparently isn't even close to the worst-case scenario. Per the Western Journal, a Canadian man, Kyle Hsu, paid roughly $55,000 Canadian ($41,583 US) in 2022 to buy a brand-new Hyundai IONIQ 5. But, less than a year later, Mr. Hsu was involved in what seemed to be a minor accident resulting in superficial damage to his beautiful EV.

Unfortunately for Hsu, it turned out that the battery protector cover on his car's undercarriage was warped, a problem that could in certain instances cause the battery to explode. This meant that he would have to replace his car's battery pack in addition to fixing its structural damage. Hsu says he was shocked when the estimate to replace the battery came in at $61,000 Canadian, or about $46,000 in US dollars. That's almost $6,000 more than he paid for the car when he purchased it brand new.

Even worse, because the damage was caused by an accident, the bill was not covered by the car's warranty, leaving Hsu with the alternative of filing a claim with his insurance carrier. But the resulting insurance implications were enormous, with Mr. Hsu facing a rate increase of up to 50% if he filed the claim. His only other choice would be to foot the repair bill himself and now have over $87,000 US dollars invested in a $41,000 car.

This is insane. This is not sustainable. The EV industry simply cannot have stories like this one popping up with increasing frequency and hope to sustain growing demand for its products.

When you combine horror stories like this one with:

*- range anxiety that pops up any time the weather isn't perfect;*

*- the lack of charging infrastructure;*

*- the unreliability of the infrastructure that does exist;*

*- the non-recyclability of the battery materials;*

*- the increasing restrictions on charging due to the massive load EVs place on the grid;*

*- and all the other significant issues EV makers have yet to address,*

you see an industry that is almost doomed to failure before it really gets up and running.

I frequently remind readers that EVs have been around since the 1880s. They are not a new idea in any sense of that word. If they were really the answer to displacing ICE cars at societal scale, it seems likely they would have already done so. What we see popping up with increasing frequency now in the form of stories like this one are simply manifestations of the reasons why that has not already happened.

EVs today are what they have always been: A niche product, a luxury item suitable to fill discreet purposes for the upper 5% or so elites in any society. The technology simply is not there yet to make them anything more than that. ■

*__David Blackmon is an energy writer and consultant based in Texas. He spent 40 years in the oil and gas business, where he specialized in public policy and communications.__*

*https://dailycaller.com/2023/12/30/opinion-the-one-simple-reason-electric-vehicles-are-doomed-to-fail-david-blackmon/*

# DOE Cybersecurity Funding Boosts Pennsylvania Oil & Gas Defense

Article provided by Custos IQ - Author: Isabelle Syring

The recent announcement by the Department of Energy (DOE) regarding a $30 million funding initiative for next-generation cybersecurity tools is poised to have significant implications for Pennsylvania's oil and gas organizations. This development comes at a critical juncture when cybersecurity threats are becoming increasingly sophisticated, as evidenced by recent breaches such as the one targeting the Pennsylvania court system websites.

For Pennsylvania's oil and gas organizations, which form a cornerstone of the state's economy, the integration of advanced cybersecurity tools is essential to safeguard critical infrastructure, protect sensitive data, and ensure the reliable operation of facilities. The DOE's investment in next-generation cybersecurity tools signifies a proactive approach to addressing the evolving cyber threat landscape facing the energy sector.

By leveraging innovative technologies and solutions supported by the DOE's funding initiative, Pennsylvania's oil and gas organizations can enhance their cybersecurity posture and resilience against cyber threats. Advanced cybersecurity tools, including AI-driven threat detection, behavioral analysis, and automated incident response capabilities, offer organizations the ability to detect, analyze, and respond to cyber threats in real-time, thereby minimizing the potential impact on operations and mitigating associated risks.

Moreover, the DOE's funding initiative underscores the importance of collaboration and information sharing among stakeholders in the energy sector. By fostering partnerships between government agencies, industry partners, and cybersecurity experts, Pennsylvania's oil and gas organizations can benefit from shared resources, expertise, and best practices to strengthen their cybersecurity defenses collectively.

Additionally, the recent breach targeting the Pennsylvania court system websites serves as a stark reminder of the ever-present cyber risks faced by organizations across sectors, including oil and gas. This breach highlights the urgency for oil and gas organizations to prioritize cybersecurity investments and initiatives to protect against emerging cyber threats effectively.

Furthermore, the integration of cybersecurity into the broader risk management strategy is crucial for Pennsylvania's oil and gas organizations. By aligning cybersecurity efforts with business objectives, regulatory requirements, and industry standards, organizations can effectively mitigate cyber risks while ensuring compliance and maintaining operational continuity.

In conclusion, the DOE's funding initiative for next-generation cybersecurity tools presents a significant opportunity for Pennsylvania's oil and gas organizations to enhance their cybersecurity capabilities and resilience against cyber threats. By leveraging innovative technologies and fostering collaboration within the energy sector, organizations can mitigate the risks posed by cyber threats and safeguard critical infrastructure, thereby ensuring the continued success and sustainability of the state's oil and gas industry. ■

*If you would like to know more about Cybersecurity funding opportunities and, do not hesitate to reach out to CustosIQ.* https://www.custosiq.com/

## PIOGA Members in the Community

PIOGA is looking for more Members in the Community feature stories! If you are a PIOGA member and have a positive community story to share - please reach out to meghan@pioga.org.

We are looking for stories of community impact - education programs, volunteering, positive industry outreach, donations, etc.

It is time to showcase all the good in our industry and shed light on the positives! These feature stories/articles will be used in PIOGA's social media and future marketing materials!

If you have any questions or suggestions for articles - please reach out! Together we can educate and promote the Oil & Gas industry!

PIOGA® Pennsylvania Independent Oil & Gas Association

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# Oil & Gas Dashboard

## Penn Grade Crude Oil Prices

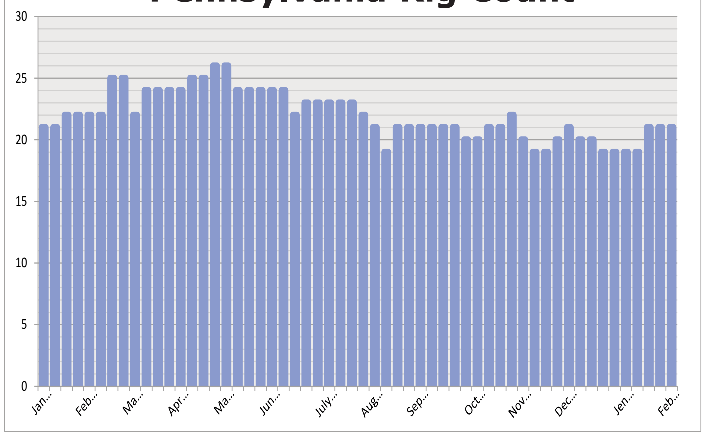

**Sources**
American Refining Group: www.amref.com/Crude-Prices-New.aspx
Ergon Oil Purchasing: www.ergon.com/crudeoil
Gas futures: quotes.ino.com/exchanges/?r=NYMEX_NG
Baker Hughes rig count: bakerhughesrig-count.gcs-web.com/na-rig-count
NYMEX strip chart: Mid American Natural Resources
Basis futures values: BHE Eastern Energy Field Services

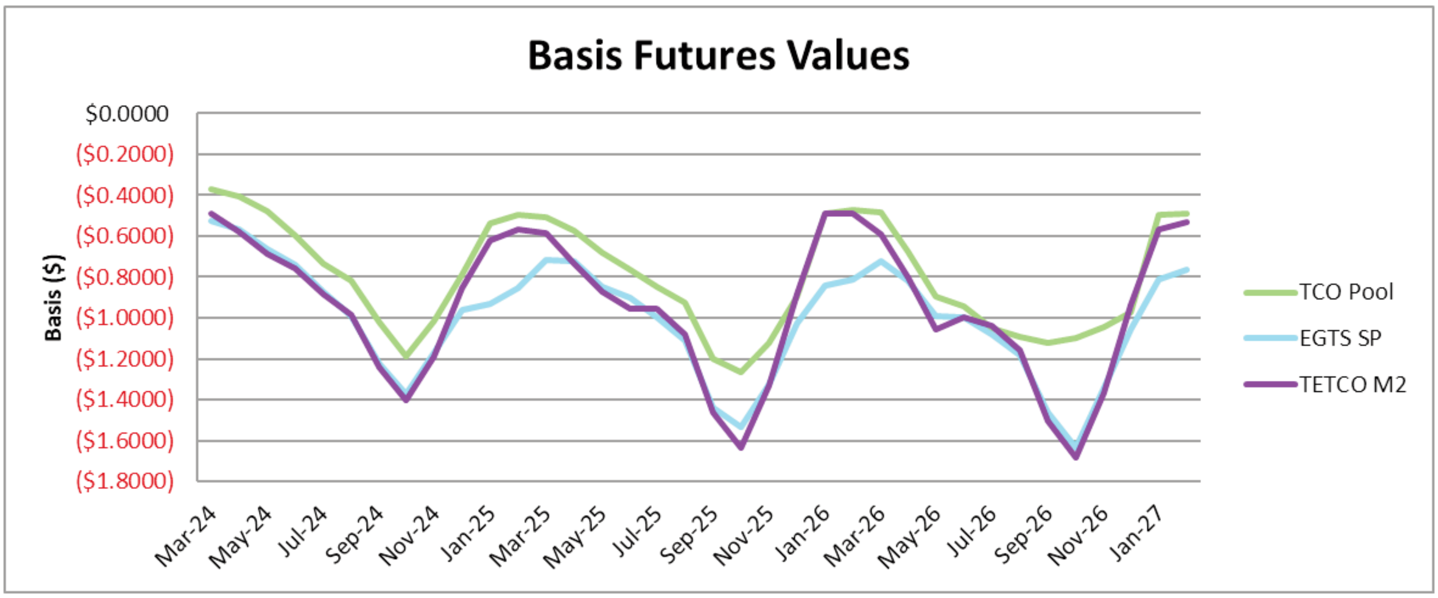
## Natural Gas Futures Closing Prices

| | |
|---|---|
| February 2024 | 2.508 |
| March | 2.043 |
| April | 2.034 |
| May | 2.115 |
| June | 2.273 |
| July | 2.446 |
| August | 2.505 |
| September | 2.489 |
| October | 2.569 |
| November | 2.972 |

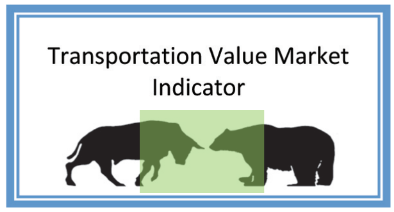
Prices as of Feb. 6, 2024

## Pennsylvania Rig Count



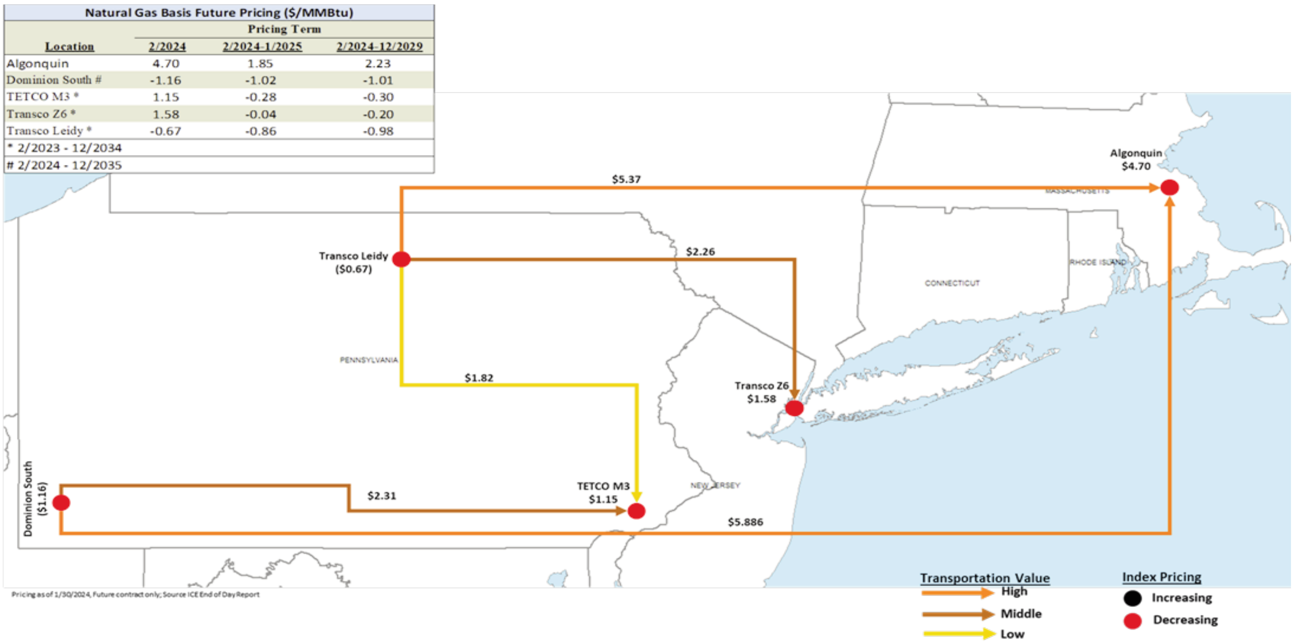



# Northeast Pricing Report — February 2024




***Provided by Bertison-George, LLC***
*www.bertison-george.com*

On Monday, the prices of natural gas futures fell considerably due to a reported outage at Freeport LNG, which was supposed to increase domestic supplies. Additionally, forecasts for milder weather have dampened demand prospects. The front-month February natural gas contract settled at $2.49 per million British thermal units on the New York Mercantile Exchange, marking a decline of 22 cents or 8.2%. This contract expired at the end of the day's trading session and recorded its biggest daily percentage drop since January 16. The Northeast region has cooled off as well. Algonquin's front-month contract decreased $1.78 per MMBtu while Transco Zone 6 decreased $1.09 per MMBtu. The rolling one-year trading period softened too. Algonquin dropped $0.15 while the Eastern Gas South and Transco Z6 both fell $0.11 per MMBtu. And although Transco Leidy increased slightly, the full-term trading period was mixed. Algonquin, TETCO M3, and Transco Z6 both dropped between $0.16 and $0.03 per MMBtu, while Eastern Gas South and Transco Leidy increased slightly. Both transportation routes decreased significantly. Eastern Gas South to Algonquin dropped $1.23 per MMBtu while Transco Leidy to Algonquin dipped $1.58 per MMBtu. Transco Leidy to Transco Z6 and TETCO M3 to Transco Z6 lost value by $0.89 and $0.81 per MMBtu respectively. Eastern Gas South to TETCO M3 was the only route that increased in value, realizing an upswing of $0.27 per MMBtu.



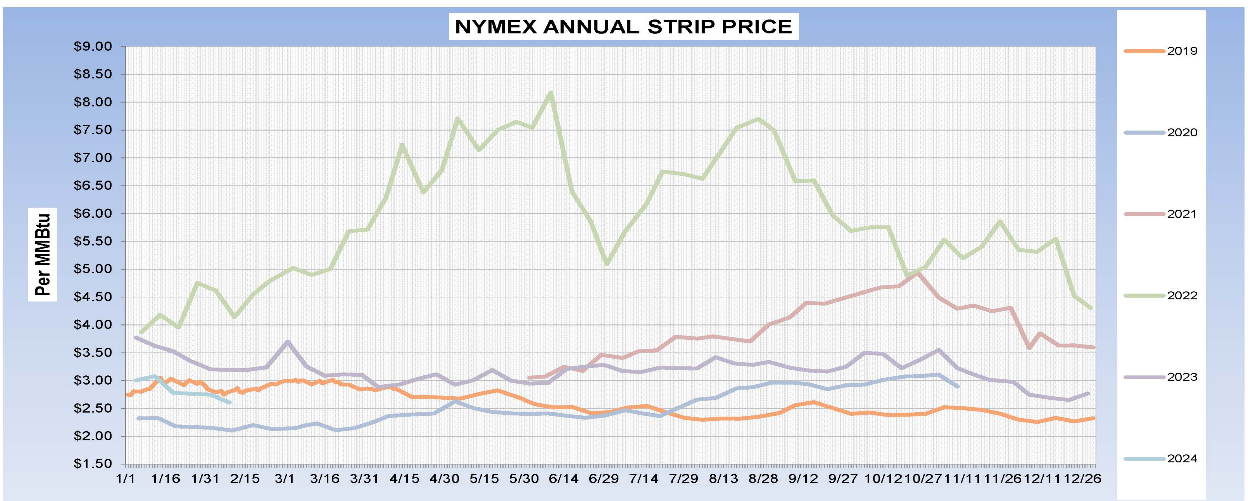
Natural Gas Basis Future Pricing ($/MMBtu)

| Location | 2/2024 | 2/2024-1/2025 | 2/2024-12/2029 |
|---|---|---|---|
| | Pricing Term | | |
| Algonquin | 4.70 | 1.85 | 2.23 |
| Dominion South # | -1.16 | -1.02 | -1.01 |
| TETCO M3 * | 1.15 | -0.28 | -0.30 |
| Transco Z6 * | 1.58 | -0.04 | -0.20 |
| Transco Leidy * | -0.67 | -0.86 | -0.98 |

* 2/2023 - 12/2034
\# 2/2024 - 12/2035



## NYMEX ANNUAL STRIP PRICE



# Spud Report: January

The data show below comes from the Department of Environmental Protection. A variety of interactive reports are available by going to the Office of Oil and Gas Management page at www.dep.pa.gov and choosing Report from the menu. The table is sorted by operator and lists the total wells reported as drilled last month. **Spud** is the date drilling began at a well site. The **API number** is the drilling permit number issued to the well operator. An asterisk (*) after Operator indicates a conventional well.

| Operator | Wells | Date | API# | County | Municipality |
|---|---|---|---|---|---|
| **Anderson Energy SVC** | 2 | 1/22/24 | 123-48822 | Warren | Pleasant Twp |
| | | 1/30/24 | 123-48823 | Warren | Pleasant Twp |
| **Cameron Energy Co. *** | | 1/18/24 | 123-48863 | Warren | Sheffield Twp |
| **Chesapeake Appalachia** | 9 | 1/5/24 | 015-23895 | Bradford | Overton Twp |
| | | 1/5/24 | 015-23896 | Bradford | Overton Twp |
| | | 1/5/24 | 015-23897 | Bradford | Overton Twp |
| | | 1/23/24 | 015-23900 | Bradford | Overton Twp |
| | | 1/23/24 | 015-23899 | Bradford | Overton Twp |
| | | 1/23/24 | 015-23898 | Bradford | Overton Twp |
| | | 1/29/24 | 015-23887 | Bradford | Overton Twp |
| | | 1/29/24 | 015-23888 | Bradford | Overton Twp |
| | | 1/29/24 | 015-23889 | Bradford | Overton Twp |
| **Greylock Prod LLC** | 2 | 1/3/24 | 105-21963 | Potter | Hector Twp |
| | | 1/3/24 | 105-21962 | Potter | Hector Twp |
| **INR OPR LLC** | 2 | 1/26/24 | 063-37555 | Indiana | Young Twp |
| | | 1/26/24 | 063-37554 | Indiana | Young Twp |
| **JKLM Energy LLC** | | 1/18/24 | 117-22232 | Tioga | Lawrence Twp |
| **Minard Run Oil Co.** | 4 | 1/30/24 | 053-31080 | Forest | Jenks Twp |
| | | 1/2/24 | 053-31077 | Forest | Kingsley Twp |
| | | 1/8/24 | 053-31078 | Forest | Kingsley Twp |
| | | 1/11/24 | 053-31081 | Forest | Kingsley Twp |
| **Pierce & Petersen** | 4 | 1/2/24 | 123-48877 | Warren | Mead Twp |
| | | 1/9/24 | 123-48876 | Warren | Mead Twp |
| | | 1/15/24 | 123-48874 | Warren | Mead Twp |
| | | 1/29/24 | 123-48875 | Warren | Mead Twp |
| **Range Resources** | 6 | 1/25/24 | 003-22658 | Allegheny | Frazer Twp |
| | | 1/17/24 | 125-29107 | Washington | S. Franklin |
| | | 1/18/24 | 125-29106 | Washington | S. Franklin |
| | | 1/18/24 | 125-29108 | Washington | S. Franklin |
| | | 1/18/24 | 125-29109 | Washington | S. Franklin |
| | | 1/18/24 | 125-29105 | Washington | S. Franklin |
| **Repsol Oil & Gas** | 4 | 1/8/24 | 117-22220 | Tioga | Covington |
| | | 1/8/24 | 117-22225 | Tioga | Covington |
| | | 1/8/24 | 117-22226 | Tioga | Covington |
| | | 1/8/24 | 117-22227 | Tioga | Covington |
| **Rice Drilling** | 2 | 1/24/24 | 125-29082 | Washington | N. Bethlehem |
| | | 1/24/24 | 125-29083 | Washington | N. Bethlehem |
| **Seneca Resources** | 5 | 1/15/24 | 117-22231 | Tioga | Middlebury |
| | | 1/15/24 | 117-22228 | Tioga | Middlebury |
| | | 1/16/24 | 117-22221 | Tioga | Middlebury |
| | | 1/16/24 | 117-22229 | Tioga | Middlebury |
| | | 1/17/24 | 117-22230 | Tioga | Middlebury |
| **SWN Prod Co.** | 5 | 1/16/24 | 115-23157 | Susquehanna | Great Bend |
| | | 1/16/24 | 115-23158 | Susquehanna | Great Bend |
| | | 1/16/24 | 115-23159 | Susquehanna | Great Bend |
| | | 1/16/24 | 115-23160 | Susquehanna | Great Bend |
| | | 1/16/24 | 115-23080 | Susquehanna | Great Bend |

| | Dec. | Nov. | Oct | Sept | Aug |
|---|---|---|---|---|---|
| **Total Wells** | **46** | **38** | **61** | **58** | **55** |
| Unconventional Gas | 41 | 29 | 42 | 37 | 37 |
| Conventional Gas | 0 | 1 | 0 | 0 | 0 |
| Oil | 1 | 7 | 13 | 8 | 11 |
| Combination Oil/Gas | 4 | 1 | 6 | 11 | 7 |

## New PIOGA Membership Category - Gas Storage Operator

**PIOGA has a new Membership Category - Gas Storage Operator!**

If you are an individual or business entity engaged in the storage of natural gas with the Commonwealth of Pennsylvania - you can now join PIOGA!

Any current PIOGA members who know anyone in the gas storage operations sector, please share the news! Help PIOGA increase our membership and get more industry operators involved!

Storage members are entitled to vote.

For information on the new gas storage operator membership, dues and other memberships, visit: https://pioga.org/about/membership-and-benefits/

## New PIOGA members Welcome!

**APEX Pipeline Services, Inc.**
Mr. Kelly Moss
PO Box 580 – Nitro, WV 25143
***Allies & Provider***

**Encova Insurance** (rejoined. Left in 2019)
Steve Gandee
400 Quarrier St. Charleston, WV 25301
***Allies & Provider***

**Henderson Brothers** (rejoined. Left in May, 2023)
Mak Kelly
920 Fort Duquesne Blvd. Pittsburgh, Pa 15222
***Allies & Provider***

**Lasen, Inc.**
Tim Goolsby
2450 Lakeview Drive. Bldg B. Las Cruces, NM 88007
***Allies & Provider***

**Kevin Shannon**
Dubois, Pa 15801
***Royalty Owner***

## Calendar

### PIOGA events

**Information: www.pioga.org > PIOGA Events**

**PIOGA's Cigar Networking Event**
February 29. Location TBD

**PIOGATech: First-Aid/CPR/AED Training**
March 6. CNX Washington

**PIOGA's Spring Meeting 2024 Happy Hour**
April 17. Pittsburgh, Pa.

**PIOGA's Spring Meeting 2024**
April 18. Rivers Casino. Pittsburgh, Pa.

### Other events

**GPA Midstream Appalachian Basin Chapter Luncheon**
February 13, 2024. Bella Sera, Canonsburg
(https://abgpamidstream.org/calendar/first-quarter-luncheon/)

**Society of Petroleum Engineers- Local Lectures**
February 14, 2024. Cefalo's, Carnegie
(https://abgpamidstream.org/calendar/first-quarter-luncheon/)

**2024 OOGA Annual Meeting**
March 6, 2024. Columbus, OH
(https://pioga.org/event/2024-ooga-annual-meeting/)

**The Great Energy Gathering X**
March 20, 2024. Hilton - Garden Inn. Pittsburgh
(https://pioga.org/event/the-great-energy-gathering-x/)

**Full Calendar - PIOGA Event & Meeting Schedule –** https://pioga.org/event/pioga-event-and-meeting-schedule-2024/


**The PIOGA Office has MOVED!**

**Our new office address is:**

**100 Allegheny Drive, Suite 104**
**Warrendale, Pa 15086**

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