OFFICIAL BRIEFING PAPER

EVENT:	**Permian Basin Oil & Gas Rig Tour and Roundtable with EPA Administrator Lee Zeldin**
DATE:	Thursday, April 17th
TIME:	10:00am – 2:45pm
LOCATION:	**Rig Tour** 4235 N Big Spring St Midland, TX 79705 *Note: The rig is located about 100 yards north of the Starbucks on Big Spring (4101 N Big Spring St, Midland, TX 79705) street. The entrance to the rig is paved, but is not marked.* **Roundtable Lunch** The Racquet Club 3009 Racquet Club Dr Midland TX 79705
GOALS AND OBJECTIVES:	STC will host a roundtable with Environmental Protection Agency (EPA) Administrator Lee Zeldin in Midland, Texas to discuss the challenges faced by independent oil and gas producers in the Permian Basin. This off-the-record event is an opportunity for the Administrator to hear directly from producers in West Texas.
PRESS:	Open, following roundtable
STAFF:	Preston Howey, M: Ex. 6 Personal Privacy (PP) Bobbi Hanson, M: Ex. 6 Personal Privacy (PP) Carl Mica, M: Ex. 6 Personal Privacy (PP)
EVENT CONTACT:	Shay Alderson, Ex. 6 Personal Privacy (PP) (Lunch)
ATTIRE:	Jeans, Blazer, button down and boots
SCHEDULE:	10:00am – 11:15pm Rig Tour 12:00pm – 1:30pm Roundtable 1:30pm – 1:45pm Media Availability 2:00pm – 2:45pm Verdict Recording 3:00pm STC departs for meeting Zeldin Departs Roundtable en route MAF
PARTICIPANTS:	**<u>Lunch Attendees:</u>** 1. (Rig tour host) Kyle Hammond, General Manager, Permian Deeprock Oil Company 2. (Lunch host) Bill Holmes, Co-Founder of Trinity Royalty Partners LP and B-J Environmental Services 3. Travis Stice, CEO, Diamondback Energy 4. Jack Harper, Hedloc Investment Company, and a co-founder at Shack Ventures, LP. 5. Dan Hord, Independent Producer & Former Owner of largest Acetylene distribution company in US 6. The Honorable Ernest Angelo, Independent Oil Producer & Former Mayor of Midland 7. Don Sparks, CEO Discovery Operating 8. Jack Rathbone, Co-Founder of Trinity Royalty Partners LP and B-J Environmental Services

	9. Steve Pruitt, Elevation Resources 10. Jeff Sparks, VP Discovery Operating 11. Luke Dunn, Son of Tim Dunn 12. Tommy Taylor, EVP Fasken Resources 13. Bill Kent, Chevron Products Retail Distributor (largest in America) 14. Administrator Zeldin 15. Aaron Szabo, Nominee for EPA's Office of Air and Radiation 16. Senator Cruz 17. Mrs. Heidi Cruz 18. Carl Mica, Deputy COS & State Director for Senator Cruz 19. Blake Hammond
POLICY:	**This policy background outlines issues that may come up during the rig tour or discussion.** Over the past four years, the Biden Administration launched a sweeping regulatory assault on the oil and gas industry. Many of the regulations issued by the prior administration overlap or contradict one another. They are also technical and still have not been fully digested by the industry. Administrator Zeldin now faces the challenging task of unwinding these rules while providing regulatory clarity to the industry. Staff recommends using this opportunity to facilitate a candid conversation between producers and the Administrator. **<u>Attainment and Non-attainment Areas:</u>** Areas that meet all National Ambient Air Quality Standards (NAAQS) for the six major pollutants are called Attainment Areas. Those that fail to meet at least one standard are called Non-Attainment Areas. These two types of areas face different regulations. The six criteria pollutants are: ozone, carbon monoxide (CO), sulfur dioxide (SO2), particulate matter (PM 2.5), nitrogen dioxide (NO2), and lead. NAAQS rules require that pollutant levels stay low enough to protect public health with a reasonable margin of safety. The EPA, under the Clean Air Act (CAA), sets and enforces these standards, but has some discretion in defining what is a safe margin. In the summer of 2022, the Biden EPA released a regulatory agenda that included the consideration of re-designation of ozone attainment in the Permian Basin. This discretionary action, if finalized, would have imposed new regulatory burdens on the U.S. oil and natural gas industry, exacerbating inflationary pressures and increasing energy prices for consumers. The environmental group WildEarth Guardians formally petitioned the EPA for the non-attainment designation in March 2021 and, roughly six months later, warned the agency of its intent to sue to force action. The EPA originally based this potential re-designation on data from monitors in New Mexico, as the agency does not have monitors on the Texas side of the Permian Basin. If the EPA were to determine the Permian Basin in non-attainment, the Texas Commission on Environmental Quality (TCEQ) would have three years to develop plans for lowering ozone levels. This could include preventing new industrial facilities

from worsening air quality and ensuring existing sites deploy detecting technology.

The Biden Administration backed off the designation during election season, but the topic could come up during the roundtable.

Methane Rule:

Since 2009, the EPA has addressed emissions of greenhouse gases (GHG) from both mobile and stationary sources, using broad regulatory authority provided by Congress decades ago in the Clean Air Act.

In December of 2023, the EPA issued a final rule that aims to sharply reduce emissions of methane and other air pollution from oil and natural gas operations — including, for the first time, from existing sources nationwide (as opposed to only new sources). The final action includes New Source Performance Standards to reduce methane and smog-forming volatile organic compounds from new, modified and reconstructed sources. It also includes Emissions Guidelines, which set procedures for states to follow as they develop plans to limit methane from existing sources.

The oil and gas industry commonly refers to these regulations as "Quad O-B" (OOOO**b**) and "Quad O-C" (OOOO**c**).

- **New Source Performance Standards OOOOb (New Sources):** 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.

- **Emissions Guidelines OOOOc (Existing Sources):** These emission guidelines 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.Subpart OOOOc is the **first time** that the EPA's used its regulatory program to address existing methane sources.

The rule, among other provisions, requires operators to identify and repair equipment leaking methane and to reduce flaring. Operators must monitor emissions, wasteful flaring, and leaks at most existing and new well sites.

Administrator Zeldin has pledged to "reconsider" the methane standards, and based on staff's conversations with industry stakeholders, there is a consensus that some degree of regulatory certainty is needed. EPA appears to be aiming for a scalpel-like approach to reforming the rule; however, it's likely that a familiar industry divide will reemerge: small independents versus major producers.

Staff anticipates that smaller companies will advocate for more aggressive reforms to the regulation, while larger firms—such as Exxon—will likely push to preserve something close to the current status quo. The Independent Petroleum Association of America (Steve Pruett, Former Chairman, is attending the roundtable) argues that the current rule will result in 300,000 small, existing wells being shut down.

Subpart W – Reporting Requirements:

Established by Congress in 2008, and first implemented in 2011, Subpart W requires owners or operators of oil and natural gas facilities and systems to report an annual accounting of GHG emissions data to EPA. According to EPA's design, these inventories are based primarily on emission factors derived scientifically from well-reasoned engineering and academic studies which are then applied to operational facility data. These factors are also periodically updated to account for improvements in understanding emissions, advancements in facility design and evolving technological capabilities. For over 10 years now, and still today, the Subpart W database represents the most comprehensive and consistently reported publicly available estimation of oil and gas emissions from any oil and gas-producing country in the world.

- In May of last year, President Biden's administrations updated the Subpart W report requirements. At the behest of industry, Zeldin is now reconsidering these reporting requirements.

Methane Fee (i.e., Natural Gas Tax):

The IRA created the Methane Emission Reduction Program (MERP) and amended the Clean Air Act (CAA) by adding section 136, ''Methane Emissions and Waste Reduction Incentive Program for Petroleum and Natural Gas Systems.'' CAA section 136 establishes a three-part framework to help States, industry, and communities reduce methane (CH_4) emissions from the oil and gas sector. (1) directing the EPA to impose and collect a ''Waste Emissions Charge'' (WEC) on methane emissions from high-emitting and inefficient oil and gas operations; (2) directing the EPA to update subpart W of the Greenhouse Gas Reporting Program to ensure accurate reporting of methane emissions by oil and natural gas facilities that is based on empirical data; and (3) providing over $1 billion in financial and technical assistance to assist the industry, States, and communities in deploying methane mitigation and monitoring solutions. By implementing provisions of the WEC, this final rule helps to fulfill one of the pillars of this three-part framework.

On March 14, 2025, President Trump signed legislation disapproving the rule that implemented the fee—known as the "WEC Rule." However, this action only nullified the "implementation" rule itself. If Congress fails to address the natural gas tax in reconciliation, a future Democratic administration could simply issue a new rule and begin assessing fees again.

That's why you are leading the effort in the U.S. Senate to repeal the natural gas tax through the reconciliation process. Your bill, the *Natural Gas Tax Repeal Act* is endorsed by: US Oil & Gas Association (USOGA), American Exploration and Production Council (AXPC), Independent Petroleum Association of America (IPAA), American Petroleum Institute (API), National Ocean Industries Association (NOIA), Permian Basin Petroleum Association (PBPA), Texas Alliance of Energy Producers, Texas Independent & Royalty Owners Association (TIPRO), and Texas Public Policy

Foundation (TPPF).

Your bill is estimated to cost $8 billion over 10 years and would increase deficits in the out-years, triggering a Byrd Rule violation. Staff is currently working with the EPW Committee to revise the text that would allow it to pass the Byrd bath. One option under consideration is simply zeroing out the fee that EPA is authorized to assess

Zeldin Challenges Endangerment Finding:

Last month, Administrator Zeldin announced the agency will reconsider the 2009 Endangerment Finding. Through this reconsideration, EPA will give the public a chance to weigh in on the science, law, and policy choices at issue in the Finding. EPA cannot prejudge the outcome of this reconsideration process.

As you know, in 2007, the Supreme Court in Massachusetts v. EPA ruled that the George W. Bush EPA erred when in 2003 it denied a petition to regulate greenhouse gas emissions from new motor vehicles that the petitioners argued were causing climate change. Massachusetts held that the Clean Air Act's general, Act-wide definition of "air pollutant" was broad enough to include carbon dioxide. Massachusetts explicitly did not hold that EPA was required to regulate these emissions from these sources.

When the Court sent the matter back to EPA, the agency proceeded in an unorthodox manner. Slicing and dicing the language of the statute, it made an "endangerment finding" totally separate from any actual rulemaking setting standards for emissions from cars. EPA argued it had the authority to do this because Congress didn't specifically forbid it from taking this approach. By taking this approach, the Endangerment Finding intentionally ignored costs of regulations that EPA knew would follow from the Finding—and indeed ignored any other policy impacts of those regulations. The Finding also took an unorthodox approach with the alleged "pollutant" at issue.

It focused not solely on carbon dioxide, but on a mix of six gases—some of which cars don't even emit. Contrary to popular belief, the Finding never makes a straight-line conclusion that carbon dioxide from new motor vehicle engines is causing endangerment.

Instead, it looked at this mix of six gases, from all sources over the world, and used multiple mental leaps to determine that this mix contributed, not caused, an unknown amount above zero to climate change, and that climate change contributed, not caused, an unknown amount above zero of endangerment to public health. Then, the Finding looked at U.S. vehicle emissions—the only thing this section of the Clean Air Act actually authorizes EPA to regulate— and said that they were a big enough piece of the pie (some 4 percent of global emissions) to be "causing or contributing" to the mix of six gases—not to the endangerment itself.

The first Trump administration chose not to revisit the endangerment finding, due in part to push back from industry groups and then-EPA Acting General Counsel David Fotouhi—who has recently returned to the agency as Deputy Administrator.

The endangerment finding is strongly supported by environmental NGOs. Some have suggested that if Administrator Zeldin were to overturn it, it would be comparable in impact to the reversal of *Roe v. Wade*. According to the Heritage Foundation, several major regulations are grounded in the endangerment finding, including:

- President Obama's Clean Power Plan, which aimed to retire coal-fired power plants and was ultimately overturned by the Supreme Court in *West Virginia v. EPA*.

- EPA's auto emissions standards, which have gradually tightened and could require about 70% of new cars sold in 2032 to be battery-electric or plug-in hybrids.

- Methane regulations.

Importantly, many of the climate predictions the EPA relied on in 2009 have since been updated, which may influence how the current administration approaches the legal and scientific basis for the finding.

<u>Zeldin Highlights:</u>
Power the Great American Comeback:

- Five Pillars: (1) Clean Air, Land, and Water for Every American (2) Restore American Energy Dominance (3) Permitting Reform, Cooperative Federalism, and Cross-Agency Partnership (4) Make the United States the Artificial Intelligence Capital of the World (5) Protecting and Bringing Back American Auto Jobs

On March 25th, Zeldin announced the EPA, would take **31 historic actions to Power the Great American Comeback and fulfill the Trump Administrations deregulatory agenda**.

- Unleashing America's Energy
  - Reconsideration of regulations on power plants (Clean Power Plan 2.0)
  - Reconsideration of regulations throttling the oil and gas industry (OOOO b/c).
  - Reconsideration of limitations, guidelines and standards (ELG) for the Steam Electric Power Generating Industry to ensure low-cost electricity while protecting water resources (Steam Electric ELG)
  - Reconsideration of Biden-Harris Administration Risk Management Program rule that made America's oil and natural gas refineries and chemical facilities less safe (Risk Management Program Rule)
- Lowering Cost of Living
  - Reconsideration of light-duty, medium-duty, and heavy-duty vehicle regulations that provided the foundation for the Biden-Harris electric vehicle mandate (Car GHG Rules)
  - Reconsideration of Particulate Matter National Ambient Air Quality Standards that shut down opportunities for American manufacturing and small businesses (PM 2.5 NAAQS)
  - Overhauling Biden-Harris Administration's "Social Cost of Carbon"
  - Terminating Biden's Environmental Justice and DEI arms of the agency

	(EJ/DEI)
	• Advancing Cooperative Federalism
	  o Reconstituting Science Advisory Board and Clean Air Scientific Advisory Committee (SAB/CASAC)
	  o Prioritizing coal ash program to expedite state permit reviews and update coal ash regulations (CCR Rule)
	  o Ending so-called "Good Neighbor Plan" which the Biden-Harris Administration used to expand federal rules to more states and sectors beyond the program's traditional focus and led to the rejection of nearly all State Implementation Plans
	• The EPA has set up an electronic mailbox to allow regulated companies to request a two-year presidential exemption under the Clean Air Act to a host of Biden-era rules.
	• March 12, 2025 - Zeldin proposed a host of important rule changes. The most important may be his move to reconsider the 2009 *endangerment finding* that declares greenhouse gases are a pollutant subject to agency regulation.
	  o The Supreme Court ruled in Massachusetts v. EPA (2007) that greenhouse gases qualify as pollutants under the Clean Air Act. The EPA must regulate pollutants that can "reasonably be anticipated to endanger public health or welfare." The Obama Administration in 2009 determined that greenhouse gases do. Later, the first Trump Administration revised the Obama CO2 regulations to make them less punitive. The Trump Administration was sued. Then the Biden team reversed course and made the Obama rules even more punitive.
	  o Unlike pollutants explicitly covered by the Clean Air Act, CO2 emissions don't affect local air quality. Their impact on global temperatures is intermediated by other factors like cloud cover.
	  o Zeldin can reconsider EPA's greenhouse-gas findings in light of new or other evidence.
	  o Withdrawing the endangerment finding could tee up a lawsuit that provides the High Court an opportunity to reconsider Mass. v. EPA. Under its major questions doctrine, significant executive actions require express Congressional authority. But Congress never authorized the EPA to regulate CO2 emissions. The IRA doesn't expressly require or authorize EPA to regulate greenhouse gases.
	
	<u>Dismantling Biden Administration Regulations and Policies:</u>
	
	Administrator Zeldin has canceled over $22 billion in environmental-justice and DEI grants and contracts to reprioritize EPA's commitment to protecting human health and the environment. The Biden Administration doled out billions of taxpayer dollars to activist groups that put ideological agendas ahead of directing action to actually remediate environmental issues impacting communities across the country.
	• Zeldin on April 10, 2025: "This administration strongly believes in clean air, land and water for every American. Instead of handing off the responsibility of environmental stewardship to unqualified NGOs, or prescribing every last solution from behind a desk in Washington, DC, I am visiting communities across our country, working with our state and local partners on the ground and

meeting with Americans to understand the issues they face."

In April, EPA Administrator Lee Zeldin announced the agency will consolidate its downtown Washington, D.C., footprint saving $18 million annually in lease costs. Administrator Zeldin's decision comes after an end to COVID-era remote work rules and completion of a comprehensive space analysis of the Federal Triangle campus initiated by EPA's Office of Mission Support.

Recent News:

April 9, 2025 – Bloomberg: Texas Oil Executives Are Frustrated at Trump for Crushing Crude Prices.

- Half of the 20 worst-performing stocks on the S&P 500 Index since Trump announced his tariffs April 2 are in the oil, gas and petrochemical sector, while crude prices have plunged to a four-year low.
- Executives are loathed to boost US oil supply with West Texas Intermediate down about 27% since Trump's inauguration less than three months ago. It's now hovering around $57, below the level they say they need for new wells to break even, according to a survey by the Federal Reserve Bank of Dallas.
- OPEC+, led by Saudi Arabia and Russia, will add 411,000 barrels a day to the market next month, the equivalent of three monthly tranches from its previous plan to revive output, according to a statement posted on their website.
- In the March 26 survey by the Federal Reserve Bank of Dallas, shale executives submitted a raft of blistering anonymous comments criticizing the president's tariff agenda, with one calling it "a disaster for the commodity markets." Texas Intermediate, the US oil benchmark, has fallen more than 15% since April 3rd to trade near $60 a barrel. That's well below the $65 threshold that many companies need to profitably drill new wells in Texas and surrounding states, according to the Dallas Fed survey. -- If prices fall to $50 a barrel, production in the Lower 48 states could drop by more than 1 million barrels a day over the next 12 months, according to S&P Global Commodity Insights. That's about 7% of the current US total.

LEGISLATIVE BACKGROUND:

Cruz Legislation Signed into Law; Another Passes Senate:

Last week, President Trump signed your Congressional Review Act (CRA) resolution regarding Decentralized Finance (DeFi) into law. This resolution overturns an Internal Revenue Service (IRS) rule on cryptocurrency that would have defined certain developers as "brokers" for reporting and taxation. This is the first crypto bill ever signed into law.

Upon the CRA being signed into law, **you said,** "*This rule would have undermined American leadership on cryptocurrency and I am grateful to President Trump for signing my resolution into law. The resolution is a victory for innovation, privacy, and economic freedom. We are protecting the developers who are building the future of cryptocurrency, making clear that the United States will not cede digital leadership to China, and preserving the ability of Americans to conduct transactions without government interference.*

On April 10, the U.S. Senate passed your resolution of disapproval to block the Department of Energy's (DOE) Final Rule Pertaining to Gas-Fired Instantaneous Water Heaters (GIWH). The Final Rule, if implemented, would have imposed new minimum efficiency standards that would effectively eliminate an entire class of affordable and efficient gas water heaters relied upon by millions of American consumers.

The vote was 52-42, with Sens. Jon Ossoff (D-GA) and Raphael Warnock (D-GA) crossing the aisle to vote with all Republicans.

The Facilitating Lower Atmospheric Released Emissions (FLARE) Act

On March 27th, you introduced the **FLARE Act**, which aims to incentivize capital investment in technologies that capture otherwise stranded or flared natural gas and put it to productive use—such as powering bitcoin mining operations.

By enabling the use of off-grid energy sources, the bill helps decentralize electricity generation and enhances grid resiliency during periods of high demand or extreme weather events.

The bill (1) makes the 100% bonus depreciation for methane mitigation equipment permanent, and (2) prohibits entities owned by China, Iran, North Korea, or Russia from utilizing the POWER Act expensing.

Congressional Reconciliation Process Begins:

The U.S. House of Representatives passed by a vote of 216-214 the FY25 Concurrent Budget Resolution as amended by the U.S. Senate. Thomas Massie and Victoria Spartz were the lone Republicans to oppose the measure. This is the first time a Republican-controlled Congress has passed a budget resolution since 2017—beginning in earnest the reconciliation process.

Chairman Arrington was originally critical of the resolution but backed the final measure. His criticism centered around the $4B cuts set into the Senate budget instructions, fearing that the Senate would ultimately not deliver on the substantial cuts the House has promised conservative budget hawks.

Just before the vote, Majority Leader Thune and Speaker Johnson held a press conference. The Speaker emphasized the importance of including at least $1.5 trillion in cuts, while Thune stated that the Senate was "aligned with the House in terms of what their budget resolution outlined in terms of savings." Though Thune stopped short of a firm commitment, his remarks were encouraging enough to secure support from House holdouts.

Below is Representative Jodey Arrington's original statement following the Senate's passage of the budget resolution. He ultimately voted in favor of the budget.

> *In order to bring down prices and restore fiscal sanity in Washington, President Trump has been working at warp speed to root out billions in wasteful and fraudulent spending, right-sizing the bloated bureaucracy, and*

pushing Congress to balance the federal budget.

The House followed suit by sending the Senate a fiscally responsible budget resolution that included the entirety of President Trump's America First agenda—pro-growth tax cuts, border and defense funding, deregulation, American energy production, and enforceable spending cuts that would reduce our nation's debt-to-GDP putting our budget on a path to balance.

The Senate response was unserious and disappointing, creating $5.8 trillion in new costs and a mere $4 billion in enforceable cuts, less than one day's worth of borrowing by the federal government. It also sets a dangerous precedent by direct scoring tax policy without including enforceable offsets.

Our nation's debt and interest death spiral are well underway with world war levels of indebtedness and interest payments exceeding defense spending. We are at a fiscal inflection point and failure to rein in our runaway deficit spending and unsustainable debt could prove catastrophic for our economy, security, and global leadership.

I am committed to working with President Trump, House leadership, and my Senate counterparts to address these concerns and ensure the final reconciliation bill makes America safe, prosperous, and fiscally responsible again.

"James Madison said it best, 'a public debt is a public curse.' We must have the political courage to get our fiscal house in order, Reverse the Curse of a sovereign debt crisis, and preserve the American promise for our children and grandchildren before it's too late."

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