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Houston Regional Group

P.O. Box 3021

Houston, Texas 77253-3021

713-895-9309

<http://texas.sierraclub.org/houston/>

January 3, 2020

Oil & Gas EIS Project
Mr. Robert Potts
Natural Resources and Planning Team Leader
National Forests and Grasslands in Texas
2221 North Raguet
Lufkin, Texas 75904

Dear Rob,

The Houston Regional Group and Lone Star Chapter of the Sierra Club (Sierra Club) provide this twelfth set of comments for scoping for the U.S. Forest Service (FS) oil/gas leasing environmental impact statement (OGLEIS) under the National Environmental Policy Act (NEPA) for the National Forests and Grasslands in Texas (NFGT).

Although the official scoping period is over, the Sierra Club will continue to send the FS documents and articles that relate to the OGLEIS. The Sierra Club has been told in the past that although there is an official scoping comment period, that scoping extends from the beginning of the scoping comment period until the draft EIS is released. There are additional articles that the Sierra Club provides to the FS with this letter.

1. "Pipeline competition to heat up", Sheela Tobben, Bloomberg, Houston Chronicle, January 3, 2020.

This article documents how "boom-and-bust" affects pipelines, "... already spurring midstream rate cuts and could mean cutthroat competition ahead ... yearly growth slowing ... with older wells producing less and oil companies preparing to curb spending this year to boost investor returns ... the difference between the price of crude on the coast when compared with Midland in the Permian has plummeted in the last year, making it more difficult for shippers to make money after paying the pipeline fees ... Oil producers are warning that they are preparing to curb spending this year to boost investor returns."

2. "Late rally masks a difficult 2019 for Big Oil", Jordan Blum, Houston Chronicle, January 1, 2020.

This article talks about the overall downturn in the oil/gas industry in 2019, "... what was generally a disappointing year for the U.S. oil sector as drilling activity plunged and

"When we try to pick out anything by itself, we find it hitched to everything else in the universe." *John Muir* ¹

employment levels fell ... essentially a state of limbo – purgatory if you're less charitable – for the energy sector, allowing some companies to make limited profits while others descend into bankruptcy ... The international and offshore markets are decent, but North America is deteriorating ... Many analysts project natural gas to fall below \$2 in 2020 ... The huge supplies have driven the prices down."

The Sierra Club appreciates this opportunity to provide these additional initial scoping comments about the social, economic, and environmental impacts of the OGLEIS. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Brandt Mannchen". The signature is written in a cursive, flowing style.

Brandt Mannchen
Forest Management Issue Chair
Lone Star Chapter of the Sierra Club
Chair, Forestry Subcommittee
Houston Regional Group of the Sierra Club
20923 Kings Clover Court
Humble, Texas 77346
281-570-7212
brandt_mannchen@comcast.net

BUSINESS

HOUSTON CHRONICLE • FRIDAY, JANUARY 3, 2020 • SECTION B • ★

• DOW: 28,868.80, up 330.36, +1.2% | • S&P: 3,257.85, up 27.08, +0.8% | • OIL: \$61.18, up 12¢, +0.2% | • NATURAL GAS: \$2.122, down 6¢, -3.1%

Deal puts Tenaris on top in steel pipes

Firm buys Houston manufacturer of oil well materials

By Sergio Chapa
STAFF WRITER

The steel pipe maker Tenaris is making a billion-dollar bet on the health of the energy industry after acquiring a Houston manufacturer that specializes in making pipes and equipment for oil and

gas wells.

Tenaris, an Argentinian company with two plants in the Houston area, closed on a \$1.1 billion deal on Thursday to buy IPSCO Tubulars from the Russian steel manufacturer TMK. IPSCO, which employs close to 400 people in the Houston area, also owns steel and pipe-making plants in Pennsylvania in addition to other facilities in Arkansas, Ohio, Oklahoma, Iowa, Kentucky, Nevada and Canada.

With the deal finalized, Tenaris is considered the largest steel pipe producer in North America. The move expands Tenaris' geographic reach and product lines while adding more steel-making capacity in the United States. That added capacity will help the company avoid Trump administration tariffs levied on foreign steel.

"For us, vertically integrating steel making in the United States

Tenaris continues on B5



A Tenaris worker inspects a pipe. The company has bought Houston's IPSCO Tubulars, making it the largest steel pipe producer in North America.
Tenaris

Low mortgage rates forecast for 2020

By R.A. Schuetz
STAFF WRITER

The average rate for a 30-year fixed-rate mortgage ended 2019 nearly a point lower than the previous year and low rates for home loans are expected to continue through 2020, according to forecasts.

The government-sponsored mortgage company Freddie Mac said Thursday the rate for 30-year fixed mortgage averaged 3.72 percent this week, down from just under 4 percent during the same week in 2018. Both Freddie Mac and the real estate listing site Realtor.com predict mortgage rates will rise slightly in 2020. Freddie Mac forecasts an average interest rate of 3.8 percent, Realtor.com about 3.9 percent.

The drop in mortgage rates during 2019 marked a dramatic turnaround from what was expected a

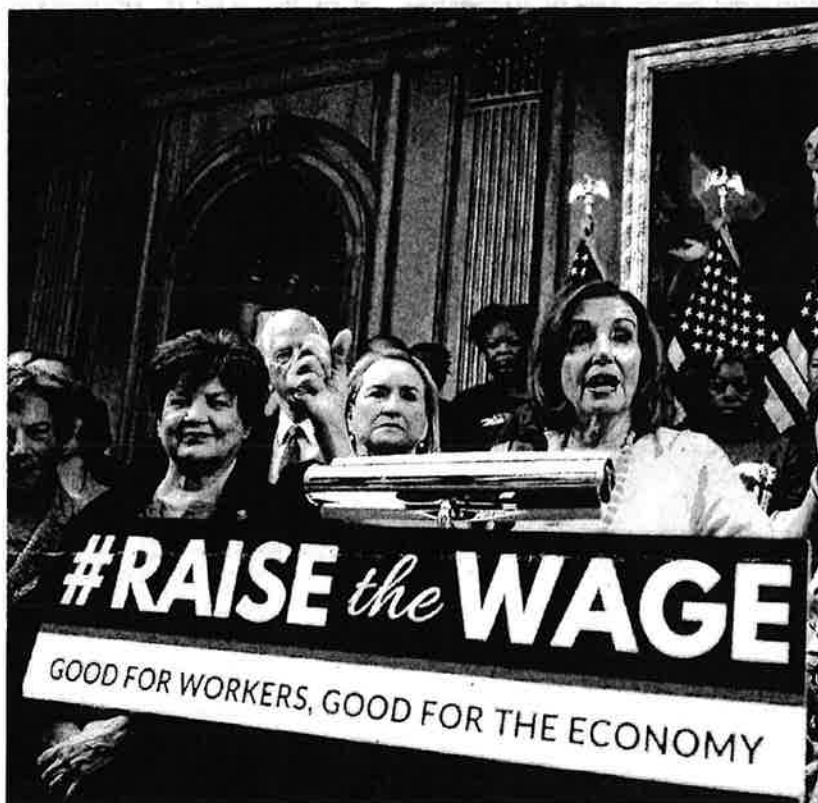
Mortgages continues on B5

Gas prices likely to stay low this year

By Jordan Blum
STAFF WRITER

The new year should bring a sixth consecutive year of affordable gasoline prices as record U.S. oil production keeps downward

REGULATIONS



J. Scott Applewhite / Associated Press
House Nancy Pelosi speaks earlier this year in favor of a push to raise the federal minimum wage. Although that push has not been successful, state and local governments have raised minimum wages in their jurisdictions.

2020 brings changes for small businesses

pressure on crude prices and provides a buffer against supply shocks.

GasBuddy, the website that tracks gasoline prices nationwide, forecast Thursday that a gallon of unleaded regular in Houston will average between \$2.30 and \$2.45 this year, hitting a peak of as much as \$2.80 in May or June, when the summer driving season gets underway, demand is at its strongest and refiners switch to more expensive summer blends. The average Houston-area gas price is now running about \$2.23 a gallon.

Nationally, gasoline prices will average about \$2.60 a gallon over the year, likely hitting a low in February before climbing near \$3 a gallon in May, according to GasBuddy. *Gas prices continues on B5*

By Joyce M. Rosenberg
ASSOCIATED PRESS

NEW YORK — Small business owners have plenty of changes to deal with now that it's 2020 — higher labor costs for many companies, and perhaps having to comply with new laws that aren't on the books in their own states.

As of Jan. 1, there are higher minimum wages in a quarter of the states, and new federal overtime rules. The

New laws affect minimum wage, W-4 forms, plastic bags and more



Contributed photo

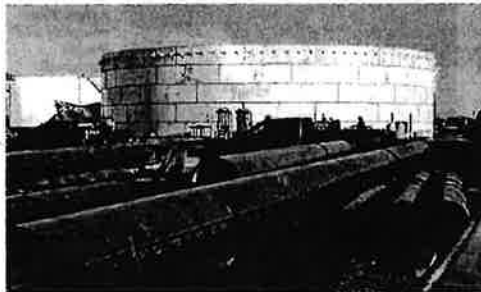
Several states, counties and cities have banned or restricted the prevalence of single-use plastic bags.

IRS has new W-4 forms owners will need to get used to. Plastic bags are on their way out at stores and other businesses in a growing number of places around the country. And California has new laws on freelancers and consumer privacy that can affect out-of-state companies.

A look at a handful of the 2020 changes in federal, state and local laws and regulations:

Overtime rules

The Labor Department's long-awaited revamp of its *Changes continues on B7*



Courtesy Magellan Midstream Partners

The BridgeTex pipeline, completed in 2014, carries Permian Basin crude oil from Colorado City to Houston.

ENERGY

Pipeline competition to heat up

By Sheela Tobben

BLOOMBERG

Five new oil pipelines are set to open in the Permian Basin through 2021, expanding a gap between production and takeaway capacity that's already spurring midstream rate cuts and could mean cutthroat competition ahead.

Producers in the West Texas and New Mexico oil field are pumping about 4.72 million barrels

a day, according to Rystad Energy AS. That compares with nearly 6 million barrels of pipeline capacity that could rise by about 3.5 million barrels in the next two years as planned new conduits come online.

Most of those planned projects were announced when the Permian was posting annual growth rates in excess of 1 million barrels a day. Now, some analysts see yearly growth slowing to as little as 650,000 barrels a day, with

older wells producing less and oil companies preparing to curb spending this year to boost investor returns.

Competition will heat up particularly among pipeline companies seeking to renew long-term shipper contracts that are set to expire, including those seeking to proceed with new pipeline projects, said Sandy Fielden, director of research for Morningstar Inc. "There is a chance that some of

Pipelines continues on B5

3 countries plan gas pipeline to Europe

By Nicholas Paphitis
and Menelaos Hadjicostis
ASSOCIATED PRESS

ATHENS, Greece — The leaders of Greece, Israel and Cyprus met here Thursday to sign a deal for an undersea pipeline that would carry gas from new offshore deposits in the southeastern Mediterranean to continental Europe.

The 1,300-mile EastMed pipeline is intended to provide an alternative gas source for energy-hungry Europe, which is currently largely dependent on supplies from Russia and the Caucasus region.

As designed, the pipeline would run from Israel's Levantine Basin offshore gas reserves to Cyprus, Crete and the Greek mainland. An overland pipeline to northwestern Greece and another planned undersea pipeline would carry the gas to Italy.

The project, with a rough budget of \$6 billion, is expected to satisfy about 10 percent of the European Union's natural gas needs. But it also is fraught with political and logistical complexities.

The race to claim offshore energy deposits in the southern Mediterranean has created new tensions between Greece and Cyprus, on one side, and historic rival Turkey.

Ankara has raised the stakes with recent moves to explore waters controlled by the two EU member countries. Cyprus and Greece are particularly disturbed that Turkey sent warship-escorted drill ships into waters where Cyprus has exclusive eco-



Israeli Prime Minister Benjamin Netanyahu, from left, Greek Prime Minister Kyriakos Mitsotakis and Cypriot President Nicos Anastasiades arrive for a signing ceremony Thursday in Athens on the 1,300-mile EastMed pipeline.

nomic rights.

Cypriot President Nicos Anastasiades said the EastMed pipeline, while not aimed against Turkey, affirms that Greece and Cyprus hold sovereign rights to the waters they control.

Anastasiades, Greek Prime Minister Kyriakos Mitsotakis and Israeli Prime Minister Benjamin Netanyahu were to meet in Athens to sign an agreement on building the pipeline.

Before departing for the Greek capital, Netanyahu said the three countries have established "an alliance of great importance"

that would bolster regional stability and turn Israel "into an energy powerhouse."

Israeli Energy Minister Yuval Steinitz has said the EastMed pipeline would take up to seven years to build and that its advantages include being less vulnerable to sabotage and not crossing many national borders to reach markets.

Anastasiades said in a New Year's Day interview with Cyprus' *Phileleftheros* newspaper that the construction agreement's signing "sends messages in every direction."

"Especially under current conditions, it demonstrates the strong political will of the countries involved, as well as the European Union, that they don't accept Turkey's unlawful actions," Anastasiades said.

Cyprus is divided into a Greek Cypriot south, where the island nation's internationally recognized government is located, and a breakaway Turkish Cypriot north backed by Turkey. The split followed a 1974 Turkish invasion after an aborted coup aiming to bring Cyprus under Greek rule.

Turkey is also laying claim to large tracts under Greek control in the Aegean Sea and off the Greek island of Crete. Turkish President Recep Tayyip Erdogan has said no project can proceed without his country's consent after a maritime border agreement that Ankara signed with the Libya's Tripoli-based government.

The Cypriot government has licensed Italian energy company Eni, France's Total, Exxon Mobil and Texas-based Noble Energy to carry out exploratory drilling in the country's offshore economic zone.

PIPELINES

From page B1

the projects would get canceled or consolidated, and that would depend on shipper commitment."

Adding to this, the difference between the price of crude on the coast when compared with Midland in the Permian has plummeted in the last year, making it more difficult for shippers to make money after paying the pipeline fees.

Operators of legacy pipelines in the oil patch already started cutting tariffs last year to retain or lure shippers to keep their systems fully loaded. In August, Energy Transfer Partners LP cut rates for users on portions of its Permian Express system, while Magellan Midstream LP issued incentive rates for large-volume shippers on its Bridgetex pipeline. Epic Pipeline Co LP halved its transportation rate prior to the line coming into service.

Oil producers are warning that they are preparing to curb spending this year to boost investor returns. "The Permian is definitely slowing down," said Elisabeth Murphy, an analyst at E&S Energy LLC. Declines from legacy wells are outstripping the new wells, and there aren't enough rigs to offset the decline in the legacy wells, she said.



Oil producers in the Permian Basin are pumping about 4.72 million barrels a day, according to Rystad Energy AS. That compares with nearly 6 million barrels of pipeline capacity.

capacity," said John Auers, executive vice president at energy consultant Turner Mason & Co. "Now, there is surplus capacity out of the Permian."

For pipelines still in the proposal stage, it doesn't help that the spread between Midland and Houston, which has access to export markets, has narrowed from over \$10 a barrel a year ago to around \$2.50. This would mean

profit margins.

Ultimately, only projects initiated by companies with well-established infrastructure will stand a chance of succeeding, Morningstar's Fielden said. Connectivity on their existing systems would be plus points that will usher their projects through to completion, he added.

Still, some companies are forging ahead with pipeline expansion.

tion of nearly 1 million barrels a day of new connectivity from Midland to its ECHO terminal in Southeast Texas, ready in 2021, according to Tony Chovanec, senior vice president for fundamentals and commodity risk assessment.

"It's no surprise to anyone that next year and probably for the next couple of years, it's going to be highly competitive, which will create volatility in earnings," Ma-

GAS PRICES

From page B1

Buddy.

"It will be another year where gasoline prices will be relatively affordable. But don't close your eyes — the price variation between stations and states will approach record levels," said Patrick DeHaan, GasBuddy's head of petroleum analysis. "Never has there been a bigger opportunity to spend less, or to spend more, if you aren't checking prices before filling up."

In 2019, GasBuddy predicted a national average of \$2.70 per gallon and the average ended up cheaper at \$2.62. Conversely, in 2018, the projection was for \$2.57 and it ended up well higher at \$2.73.

U.S. crude oil production, at nearly 13 million barrels a day, is pushing fuel prices down and insulating against unpredictable accidents, hurricanes or geopolitical events that otherwise could cause gasoline costs to spike, DeHaan said. Crude settled Thursday at \$61.88 a gallon in New York, up 12 cents.

Seasonally, fuel prices typically hit an annual low in February and then rise with the switch to summer-grade fuels, peaking in May or June and then falling back after

"New pipe startups like Cactus II starting up and Epic in the summer have put us over the top on ca-

transportation costs from the Permian bound for the Gulf would have to be even cheaper, straining

sions because of industry support. Enterprise Products Partners LP plans to push ahead with the addi-

getian CEO Mike Mears said on the company's earnings call in October.

August.

GasBuddy estimates the national average could rise as much as 75 cents per gallon from the February low to May peak, climbing as high as \$2.96 per gallon nationally.

The nation's yearly gasoline bill will rise to \$373 billion in 2020, an increase of more than \$1 billion from last year, according to GasBuddy. The average household's annual gasoline spending would rise to \$1,935 from \$1,933.

About 75 percent of the country's largest metro areas could see \$3 per gallon at some point in 2020, including Atlanta, Boston, Chicago, Cleveland, Detroit, Miami, New York, Philadelphia, Phoenix and Washington. The largest California cities, as well as Seattle, could see \$4 gasoline.

jordan.blum@chron.com
twitter.com/jdblum23

MORTGAGES

From page B1

year ago, when mortgage rates briefly reached 5 percent and the Federal Reserve signaled two interest rate increases were on the way, a sign of faith in the economy. Instead, escalating trade wars shook confidence in the markets, the Fed cut rates and investors – so hungry for the relative security of mortgage debt that they were willing to accept lower yields – drove mortgage rates down.

The drop in mortgage rates was a balm on the budgets of potential homeowners, who could take out larger loans for the same monthly

payments, but economists say housing affordability will become an even more pressing issue in 2020, shaping where people live and how they spend.

After mortgage rates dropped, home price appreciation accelerated, ending 13 months of slowing home price growth, according to the S&P CoreLogic Case-Shiller U.S. National Home Price Index, a measure of home prices.

"The decline in mortgage rates, down about one percentage point for fixed-rate loans from one year ago, has supported a rise in sales activity and home prices," said CoreLogic Chief Economist Frank Nothaft in a statement.

Pinched by home prices that

have grown more quickly than incomes, homebuyers in expensive coastal markets have already begun moving to more affordable markets, such as many in Texas.

"Home buyers are increasingly not only looking at suburban environments near large metropolitan areas, but also considering options across state lines," said Realtor.com economist George Rathu in his forecast. "Cities in Arizona, Nevada and Texas will continue to benefit from shoppers looking for more affordable alternatives to California."

Rathu also predicted that as housing costs continue to eat up larger portions of worker's paychecks, many will have to cut back

on discretionary spending for restaurant meals, entertainment and a host of consumer products, which could have a rippling impact on the economy. Consumer spending accounts for about 70 percent of U.S. economic activity.

"As the housing share of expenses continues rising, consumers will likely trim back on non-housing spending," said Rathu. "A slowdown in consumer spending, couple with rising global uncertainty and market volatility, can be expected to lead companies to contain costs and trim employment goals."

rebecca.schuetz@chron.com
twitter.com/raschuetz

TENARIS

From page B1

is very important," Luca Zanotti, president of Tenaris' U.S. subsidiary. "Including this deal, Tenaris has invested more than \$10 billion in the United States over the past 10 years."

The deal comes when crude oil prices have returned above \$60 per barrel but spent nearly a year in the \$50 range, making drilling new wells unprofitable for most exploration and production com-

panies in North America, where Tenaris makes 47 percent of its sales. Although overall drilling activity is down and is expected to remain so in 2020, Zanotti said that trend is balanced by the increasing length of horizontal wells – some extending for miles – meaning more pipe is required for each well.

"When you compare the average consumption per rig today compared to 2014, you see that consumption went up by almost 50 percent," Zanotti said. "You're seeing longer laterals. That's the

really main reason you're seeing more consumption."

Tenaris said it will spend the next year integrating IPSCO facilities and staff into the company. Zanotti said the company plans to implement its Rig Direct software platform across the combined company. The system was designed to reduce the amount of time pipe and other products sit in distribution yards before sent to drilling sites.

Tenaris was founded in Italy by CEO Paolo Rocca's grandfather and later moved its main opera-

tions to Argentina. The company was virtually unheard of in Texas until just over a decade ago, when it bought St. Louis-based Maverick Tube Corp. and Houston-based Hydril Co. for a combined \$5 billion.

Over the past decade, Tenaris grew from about 50 Houston employees to more than 2,000. The company opened a sprawling \$1.8 billion pipe mill southwest of Houston in Bay City in 2017 and reopened its Conroe plant last year. Tenaris plants and service centers are primarily located in

the South, whereas IPSCO facilities are located in the Midwest and Northeast.

IPSCO's steel mill in Koppel, Pa. will be the first Tenaris plant in the United States to make steel bars, while another IPSCO plant in Ambridge, Pa. will produce new products for the company, such as heat-treated pipe and seamless pipe, which is made using a process that does not leave any welding seams.

sergio.chapa@chron.com
twitter.com/sergiochapa

ON INVESTMENTS AND THE \$1.5 trillion tax cut of 2018 was no longer providing much momentum.

In the last day of trading in 2019, the Dow Jones Industrial average gained 76 points to close at 28,538, up 22 percent from a year ago. The broader S&P 500 Index surged nearly 30 percent in 2019, closing Tuesday at 3,231.

The gains are an endorsement that the underlying economy is strong and growing, with no major signs of downturns, either domestically or internationally, analysts said.

"We're in a sweet spot,"



Richard Drew / Associated Press

There's plenty of money for new investment, but as a heated presidential election looms and some segments of the economy weaken — such as the automobile industry — analysts expect the new year to be wilder as the market pendulum swings.

said Craig Pirrong, a University of Houston finance professor.

But the year didn't start out that way, with markets still reeling from a broad sell-off at the end of 2018 and the worst losses since the 2008 financial crisis. The technology-laden stock index Nasdaq was al-

ready in bear market mode — meaning it lost more than 20 percent of its value — and the Dow and S&P 500 were quickly approaching bear territory.

But the downward spiral turned out to be short-lived. Major market indexes moved into positive territory by the end of the first week of Janu-

ary and stayed in the black the rest of 2019, despite an intensifying trade war with China, a pullback in business spending and a slowing global economy.

But American consumers came to rescue, supporting the U.S. economy with healthy spending, which in

Investors continues on B7

natural gas, environmental concerns about emissions from the Leviathan platform were raised by people living nearer the coastline as well as those who would rather Israel focus on renewable sources of energy, such as wind and solar power.

"We had to make the regulators comfortable," said Keith Elliott, Noble's senior vice president for offshore. "They needed their time to take one more look at things, and we understand that. We had complete confidence in

Noble continues on B7

Late rally masks a difficult 2019 for Big Oil

By Jordan Blum
STAFF WRITER

Crude oil prices rose by 35 percent in 2019 for the biggest annual gain in three years, but those numbers don't capture what was generally a disappointing year for the U.S. oil sector as drilling activity plunged and employment levels fell.

Although the year saw the U.S. crude benchmark begin at just \$45 per barrel and

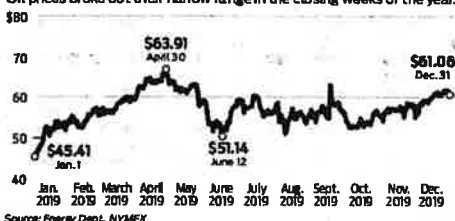
end above \$60, crude prices spent the vast majority of 2019 stuck in the frustrating range of \$50 to \$60 per barrel. That \$50-something territory is essentially a state of limbo — purgatory, if you're less charitable — for the energy sector, allowing some companies to make limited profits while others descend into bankruptcy.

Oil settled at \$61.06 a barrel on Tuesday in New York,

Oil continues on B7

Finishing kick

Oil prices broke out their narrow range in the closing weeks of the year.



Jack Guez / AFP via Getty Images

Some Israelis protested the start of the offshore Leviathan gas production.

BUSINESS

HOUSTON CHRONICLE • WEDNESDAY, JANUARY 1, 2020 • SECTION B ★★

• DOW: 28,538.44, up 76.30, +0.3% | • S&P: 3,230.78, up 9.49, +0.3% | • OIL: \$61.06, down 62¢, -1.0% | • NATURAL GAS: \$2.189, up 0.003, +0.1%

Insurer's contract with Methodist to end

UnitedHealthcare members set to lose in-network access

By R.A. Schuetz
STAFF WRITER

As many as 100,000 UnitedHealthcare plan members are set to lose in-network access to eight Houston Methodist hospitals and dozens of its outpatient facilities as the health insurer and hospital systems were unlikely to resolve their differences before a con-

tract expired at midnight Tuesday.

Both sides said that negotiations over the contract, which sets reimbursement rates, had all but stalled. "There is no progress in the negotiations," said Stefanie Asin, spokeswoman for Houston Methodist.

Without a new contract, UnitedHealthcare plan members will no longer be able to receive lower in-network rates at Houston Methodist. Patients who are already hospitalized, pregnant or undergoing an active course of

treatment will have to apply to UnitedHealthcare in order to receive in-network rates for the remainder of their treatment.

Plan members will still be able to continue seeing Houston Methodist doctors in-network until April 1, but if those doctors recommend surgery, physical therapy or other treatment, they will not be able to send patients to a Methodist hospital or clinics without going out-of-network and costing patients substantially more money. Emergency care

Methodist continues on B7



The Houston Methodist West Hospital in Katy is one of the hospitals where UnitedHealthcare plan members will lose in-network access.

Craig Mosley / Staff photographer

ECONOMY

Record run

The Dow Jones Industrial average reached new highs in 2019, casting aside recession and trade concerns



Great year for investors, but don't expect repeat for 2020

Expansion, bull market likely to ebb as global economy slows, firms curb spending

By L.M. Sixel
STAFF WRITER

Major stock indexes navigated trade wars and recession fears to close the year at near record levels as gains propelled by interest rate cuts and wage increases gave consumers confidence to spend. But enjoy it now because if history is any clue, 2020 isn't likely to be quite as grand.

The economic expansion – and the bull market – are now nearly 11 years old, making them the longest in the nation's history and continually defying expectations the economy would run out of steam. The Federal Reserve cut interest rates three times in 2019, juicing the economy as concerns mounted that global demand was slowing, businesses were cutting back on investments and the Fed



Noble starts up Leviathan project in Israel

By Jordan Blum
STAFF WRITER

Noble Energy started production early Tuesday on the massive Leviathan natural gas project offshore of Israel, achieving a major milestone for a discovery made nearly a decade ago.

The Leviathan startup by the Houston oil and gas producer puts Israel on the path of becoming a natural gas exporter after decades of relying on energy imports and coal-fired electricity. The Leviathan is the largest known natural gas field in the growing Eastern Mediterranean region that's attracting other top oil and gas players, including the Texas energy major Exxon Mobil.

"This is a project that's been about a decade in the making and it has very significant benefits for the environment, economies and the energy security for the region," said Noble President Brent Simolik in a phone interview from Israel. "It's a great day here in Israel. It's changing the country and it's changing this part of the world. We're just proud to be part of it."

Noble aimed to bring Leviathan online before the end of this year and just narrowly succeeded with the New Year's Eve startup. The nearly \$4 billion project was delayed a bit in December until a judge lifted an injunction that threatened to stall production because of environmental concerns.

While the project will help replace coal with cleaner-burning

vestments in capital equipment and technology, according to one analyst.

"There's still a lot of money on the sidelines that can come in," said Randy Frederick, vice president of trading and derivatives for the San Francisco-based

"You'll want to fasten your seat belt," said McBride, "because it's likely to be a bumpy ride than we've seen in the last couple of months."

lynn.sixel@chron.com
twitter.com/lmsixel

of Israel. Leviathan's production should outpace Tamar during the latter half of 2020.

Apart from Israel's own energy needs, Leviathan also will supply large volumes of natural gas to Egypt and Jordan.

Israel has long been the odd-

Since the 2010 discovery, Israel spent much of the subsequent years developing an energy regulatory framework essentially from scratch. That regulatory setup eventually required Noble to decrease its ownership stake in the projects. As a result, Noble

teet of natural gas per day, and a subsequent phase is expected to increase volumes up to 2.1 billion cubic feet a day in the years to come.

jordan.blum@chron.com
twitter.com/jdblum23

OIL

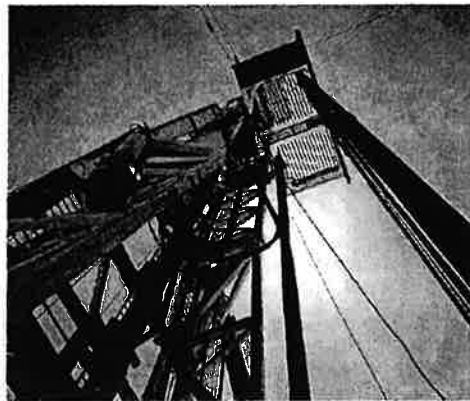
From page B1

down 62 cents or about 1 percent.

Despite a stronger finish in 2019 — crude prices rallied more than 10 percent in December — the previous year was much better for producers as oil prices stayed above \$60 for many months, hitting a peak of more than \$76 a barrel before plummeting during the fourth quarter amid fears of a global oil glut as the world's top producers — the United States, Russia and Saudi Arabia — pumped out record volumes.

That free fall set the stage for companies to pull back in 2019. As they slogged through the months of lackluster prices, oil and gas producers pulled drilling rigs from shale fields, sending the U.S. rig count plunging by 25 percent to their lowest levels since early 2017, when the industry was just emerging from the last oil bust. Job cuts have followed. In Texas, energy firms have cut more than 5,000 jobs since the spring, according to government.

"It's a bit of a tale of two mar-



Jon Shepley / Staff photographer

It was generally a disappointing year for the U.S. oil industry as drilling activity plunged and employment levels fell.

kets," said James West, an energy analyst with Evercore ISI in New York. "The international and offshore markets are decent, but North America is deteriorating. I'd expect more of the same story

in 2020."

Only during December did crude prices rise back above \$60 per barrel and stay there for any sustained period of time. The rally was driven by a Saudi-led effort

among OPEC, Russia and other allies — collectively called OPEC+ — to further scale back output in early 2020, as well as the easing of the U.S.-China trade war, which has weighed on the global economy and energy demand.

Recent dips in U.S. crude inventory levels also have helped boost the price of oil.

Some ominous signs, however, loom on the horizon. A surge of new oil production is coming online from non-OPEC nations, including Norway, Canada, Brazil and Guyana. While U.S. oil output is slowing, it is still increasing as a weakened shale oil and gas sector keeps rolling along. And the trade war with China remains unresolved despite some positive signs.

But cutbacks from OPEC+ could offset much of the new crude supplies. Additional oil and gas projects aren't expected to come on online in the second half of 2020, meaning crude prices could rise as the new year progresses.

Lower oil prices, meanwhile, have been a boon for consumers. In the Houston area, the cost of a gallon of regular unleaded gas-

line was \$2.21 at the end of this year, while the national average is \$2.59, according to GasBuddy, which tracks fuel pricing nationwide. Gasoline prices have ended the year below \$3 a gallon for six consecutive years.

"As difficult as it's been for investors and companies in oil and gas, it's been a tremendous benefit for consumers," said Ed Hirs, an energy economist at the University of Houston.

And that doesn't just apply to gasoline, refined from crude. Cheap natural gas has lowered the cost of electricity generation, heating and other materials.

The U.S. benchmark for natural gas started 2019 at \$3.25 per million British thermal units and finished the year at \$2.19 per million Btu. Many analysts project natural gas to fall below \$2 in 2020 with so much excess gas continuing to be produced alongside oil in regions such as West Texas' still-booming Permian Basin.

"The huge supplies have driven the prices down," Hirs said.

jordan.blum@chron.com
twitter.com/jdblum23

BUSINESS

METHODIST

From page B1

will not be affected.

The end of the contract threatens to disrupt the care of thousands of patients. Anna Coffey, chief executive of the nonprofit The Women's Home, said when she switched her organization's insurance to UnitedHealthcare less than a year ago, her only question was whether Methodist would be covered.

"I feel like it was a bait and switch," she said. "I've had employees who've had scheduled surgeries who are now going to have to consider getting a new provider."

Houston Methodist patients insured by UnitedHealthcare are among the latest to be caught in the fight over costs between insurers and health care providers. Humana dropped Baylor doctors in 2015, and Blue Cross and Blue Shield of Texas dropped the Kelsey-Seybold Clinic, in 2016. As many as 100,000 Kelsey-Seybold Clinic patients lost in-network coverage for three years, until the medical provider and insurer reached an agreement to restore the relationship starting Jan. 1.

Money is at the crux of the negotiations. Dave Milich, UnitedHealthcare's chief executive, said in October that employers who offer his company's plans have demanded lower costs. Nearly 80 percent of UnitedHealthcare members in the Houston area are enrolled in self-funded plans, in which employers pay claims, exposing them to rising health care



Houston Methodist Sugar Land Hospital

Methodist patients insured by UnitedHealthcare — like those at Methodist's Sugar Land hospital — are among the latest to be caught in the fight over costs between insurers and care providers.

costs.

"Every time we attempted to reach a compromise during the negotiations, Methodist responded with proposals showing that it is intent on maintaining its positions as one of the most expensive health systems in the country," a UnitedHealthcare spokesperson said in an email.

Houston Methodist argues its costs are appropriate and neces-

sary. "We cannot accept their proposed cuts and still provide high-quality health care," Asin said. "We are trying to reach a compromise with United, but there has been very little progress."

Despite the dispute, Houston Methodist will keep UnitedHealthcare as the administrator of the plan for its employees to avoid disruptions. Houston Methodist employees will continue to

have access to Houston Methodist facilities at in-network rates through a special arrangement with the insurer.

Employees of the Fort Bend Independent School District, which has a separate contract with UnitedHealthcare, also won't be affected by the contract termination.

Opacity surrounding medical

costs has clouded the issue. When UnitedHealthcare announced it was dropping Houston Methodist, it released a statement contending Houston Methodist is the most expensive system in Texas, "driving up the cost of health care for all Texans and the health care system overall."

Houston Methodist pointed to statistics from the RAND Corp., a think tank in Santa Monica, Calif., which place Houston Methodist's costs in the mid-range of health care systems in Texas.

Both sides have launched public relations campaigns in the days leading to patients losing coverage. Houston Methodist has published advertisements telling UnitedHealthcare "Don't mess with Houston's health care" and arguing that the insurance company is focused on its profits.

UnitedHealthcare has taken out its own ads, claiming that it, too, wants quality health care, but at affordable prices that allow people access to health services. "Affordability is a problem," a full-page ad in Sunday's Houston Chronicle said. "Houston Methodist must be part of the solution." The insurer said it is open to continued discussions with the health care network.

Affected plan members will have their pick of whom to blame. What they may not have is the same selection of in-service health care options.

Jenny Deam, Gwendolyn Wu and Paul Takahashi contributed to this report.

rebecca.schuetz@chron.com
twitter.com/raschuetz

INVESTORS

From page B1

turn lifted stock prices and further boosted confidence. Consumer spending accounts for about 70 percent of economic activity in the United States.

When the market is up, consumers, glancing at workplace and individual retirement accounts, feel more flush and willing to spend. Likewise, consumers feel poorer and hold back on spending when the market is on a prolonged downturn even though they might never have sold a share.

At the moment, the economic signals look good. The nation's unemployment rate is at a half-century low at 3.5 percent and inflation-adjusted average weekly earnings increased 1.1 percent this year, according to the Department of Labor. Consumer spending and disposable personal income set new records during the third quarter of 2019, according to the Commerce Department.

Another factor is the lingering effect of the \$1.5 trillion tax cut of 2018, a windfall that lowered income taxes for millions of workers and boosted corporate balance sheets. According to some estimates only about half of the corporate tax savings has been spent, leaving billions remaining for additional acquisitions, dividends to shareholders and in-

bank and brokerage firm Charles Schwab.

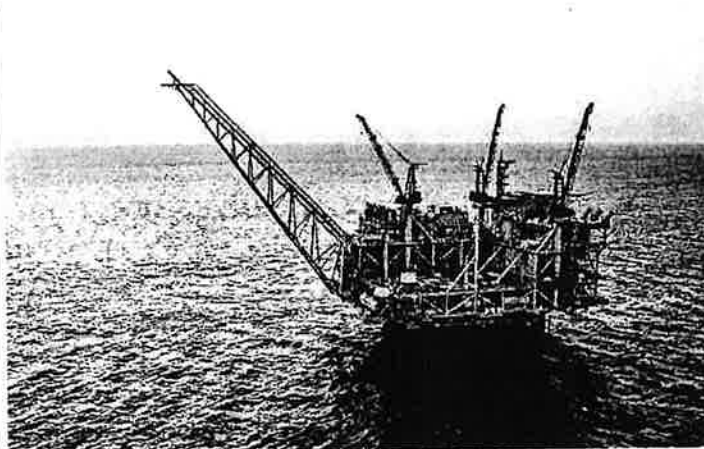
But not all signs are positive. Shoppers weren't as free-spending this year, with holiday sales up 3.4 percent in 2019 after increasing 5.1 percent in 2018, according to Mastercard SpendingPulse which tracks retail and online spending.

Consumers aren't buying as many cars either. Edmunds, the California-based online car shopping site, forecast that 4.3 million new cars and trucks will be sold nationwide during the fourth quarter, down nearly 1 percent from a year ago.

The drop was even more pronounced in Houston where new vehicle sales dropped 12 percent in November compared to the same month one year earlier, marking the second consecutive month of year-over-year double-digit declines, according to the TexAuto Facts report from InfoNation, a Sugar Land-based provider of automobile data.

In any event, analysts said, it's unlikely that stocks could repeat the gains of 2019. Greg McBride, chief financial analyst for the personal finance website Bankrate.com, is anticipating a solid 2020 for stocks, but with gains in the 4 percent to 6 percent range.

But those modest increases won't come easily, McBride said, as a heated presidential campaign and trade and tariff concerns spur wild swings in the market.



Noble Energy

The massive Leviathan natural gas project offshore of Israel by Houston-based Noble Energy could eventually represent nearly 20 percent of the company's global production.

NOBLE

From page B1

the outcome."

The project eventually could represent nearly 20 percent of Noble's worldwide oil and gas production, according to the company. Noble already is producing natural gas from the smaller Tamar project offshore

man out, energy-wise, in the Middle East, home to some of the world's biggest oil producers. That changed just over a decade ago when Noble discovered gas in the Tamar field about 50 miles off the Israeli coast, in waters more than 5,000 feet deep. Noble followed that in 2010 with another discovery in the larger Leviathan field, about 30 miles southwest of Tamar.

owns about 40 percent of Leviathan while its main Israeli partner, the Delek Group, holds about 45 percent. Israel's Ratio Oil Exploration holds the remaining 15 percent.

The first phase of the Leviathan project ended up costing \$3.6 billion, less than the projected \$3.75 billion.

The project will eventually produce up to 1.2 billion cubic