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December 20, 2019

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 ninth 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. "Local economy not as hot as thought", Erin Douglas, Houston Chronicle, December 20, 2019.

This article documents that the energy market downturn has pulled down the performance of the Houston economy unlike previously thought.

2. "Oil field service sector changing", Sergio Chapa, Houston Chronicle, December 19, 2019.

This article says, "Old field service companies are closing the year with asset sales, mergers and layoffs, which observers say are needed to protect the struggling sector from the boom-and-bust cycles of the industry."

3. "Top firm in Texas' birthplace of shale exists for \$770 million", Jordan Blum, Houston Chronicle, December 19, 2019.

This article reports about the Barnett Shale, "But now the shale gas industry is a victim of its own success. The sector is producing vast amount of natural gas, which has led to

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

supply gluts and falling prices. Drilling in the Barnett simply isn't economical anymore, analysts said – at least for now."

4. "WaterBridge snatching up Permian deals", Bloomberg News, Houston Chronicle, December 19, 2019.

The article says, "When you're in your early phase of exploiting your resource, it's very difficult to continue to grow at the pace you want by only drilling what your cash flow will allow ... It's pushing producers to sell their water midstream assets ... Despite the anticipated slowdown in the Permian next year ... sees water volumes in the shale patch rising from about 10 million barrels a day to about 25 million barrels over five years ... If you track the expectations for the growth in crude oil, you can basically multiply them by four to five in the Delaware and one-and-a-half to two in the Midland ... of projected water volumes in the Permian's two biggest sub-basins."

5. "Global climate talks end with few results", Brady Dennis and Chico Harlan, Washington Post, in Houston Chronicle, December 16, 2019.

This article documents how we are running out of time to reduce the impacts of climate change.

6. "Longest wells in Texas stretch miles across", Sergio Chaps, Houston Chronicle, December 16, 2019.

The article documents how the environmental impacts of one fracking well can be several miles underground in a horizontal as well as vertical direction.

7. "Here's a gift of caution: beware of grifters lurking in plain sight", Chris Tomlinson, Houston Chronicle, December 16, 2019.

This article emphasizes that one of the impacts of oil/gas development is fraudulent sales to investors about oil/gas well potential.

8. "Don't allow drilling in Texas' national forests, grasslands", Editorial, Houston Chronicle, December 15, 2019.

This editorial by the Houston Chronicle supports no leasing for development of federal oil/gas.

9. "OPEC + output cuts likely won't prevent crude surplus", Grant Smith, Bloomberg News, in Houston Chronicle, December 15, 2019.

This article documents that oil output cuts by OPEC and others will probably not prevent a surplus of oil on the market which means lower prices.

10. "Greenland melt", Earthweek, Houston Chronicle, December 15, 2019.

This article documents that the Greenland ice sheet is melting seven times greater than in the 1990's due to climate change.

11. "Fatal crashes are the dark side of the oil and gas boom", Corpus Christi Caller-Times, December 15, 2019.

This article shows one of the costs economically, socially, and environmentally is an increased number of fatal truck and car crashes due to oil/gas caused traffic.

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 cursive script that reads "Brandt Mannchen". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Brandt Mannchen
Forest Management Issue Chair
Lone Star Chapter of the Sierra Club
Chair, Forestry Subcommittee
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The ruling is the latest in an ongoing debate within FERC around whether carbon-free energy sources should be given additional subsidies to speed their expansion, a luxury that fossil fuels enjoy.

Clean energy continues on B5

The vote in the Senate, weeks after the House passed the legislation, sends the bill to President Donald Trump, who is expected to sign it. The bill won't cut down on robocalls immediately, its backers acknowledge, but over

place batches of spam calls.

time should lessen the unwanted interruptions — and take aim at the fraudsters behind them.

Under the proposal, dubbed the TRACED Act, the government

and large, wireless and those that service landlines — to adopt technology that's supposed to help companies and consumers identify when calls are legitimate or spam. Carriers that implement this technology to block suspect

Still, lawmakers and consumer advocates hailed it as a critical first step after robocallers rang Americans' smartphones an estimated 54 billion times over the past 11 months, according to YouMail, a

Robocalls continues on B6

Houston First postpones vote on proposed W Hotel deal

By Nancy Sarnoff
STAFF WRITER

City convention officials, saying they needed more time to analyze new information related to the proposed development of a W Hotel downtown before voting on whether to move the process forward, took the matter off their agenda for Thursday's meeting.

Houston First Corp., the city's convention arm, was expected to discuss the matter at its board meeting Thursday afternoon and possibly vote on the advancing the hotel plan — well over a year in the making — to its next stop: Houston City Council.

Chairman David Minberg said Houston First received new information from the developer late last Friday that requires further analysis.

"We'd like to get it up on the board agenda as soon as possible," Minberg said. "They made changes and introduced some new concepts."

The developer, Texas Hospitality Partners, has been in negotiations with Houston First to lease air rights to build the hotel on top of Partnership Tower, Houston First's 10-story office building just north of



Texas Hospitality Partners

A rendering of the proposed W Hotel, expected to cost more than \$200 million to develop.

the George R. Brown Convention Center. The building, at 701 Avenida de las Americas, was designed to support a building addition.

Details of the potential arrangement released last year showed a package of state and local tax rebates worth an estimated \$42.6 million to be provided over the course of more than a decade to the development group. Los Angeles-based Stockdale

Hotel continues on B6

Local economy not as hot as thought

New data shows jobs were added at a slower pace

By Erin Douglas
STAFF WRITER

The Houston economy likely created jobs at a much slower pace than initially estimated as weakness in the energy and manufacturing sectors weighed on growth, according to the Federal Reserve Bank of Dallas.

The Dallas Fed calculated a huge downward revision to employment data reported in the second quarter, particularly in Houston. The revised figures show that employment in the Houston metropolitan region grew at an anemic rate of less than a half percent, compared to initial estimates of nearly 4 percent.

Early job growth estimates from the U.S. Labor Department are based on small samples, and

data is often revised when more information is available, but the changes typically are not so dramatic. The Dallas Fed, for example, estimated that job growth in Texas from the beginning of the year is closer to 1.7 percent — still a healthy pace — but slower than the 2.1 percent originally reported.

The Dallas Fed's calculations provide an early look at the annual revisions by the U.S. Labor Department to state and local employment data. The Labor Department releases the revisions in March.

The energy sector, which has struggled with lackluster oil prices and limited availability of capital, is largely responsible for the Dallas Fed's cuts to economic growth estimates. The biggest revisions in jobs data occurred in the mining and logging sector, which in Texas is dominated by the oil and gas industry.

The Dallas Fed estimated the

Economy continues on B6

BUSINESS

HOUSTON CHRONICLE • FRIDAY, DECEMBER 20, 2019 • SECTION B ★★

• **DOW:** 28,376.96, up 137.68 (0.5%) | • **S&P:** 3,205.37, up 14.23 (0.4%) | • **OIL:** \$61.22, up 29¢ (0.5%) | • **NATURAL GAS:** \$2.273, down 1.3¢ (-0.6%)

Clean energy sources lose in ruling

Federal agency allows surcharge for those with subsidies

By James Osborne
STAFF WRITER

WASHINGTON — Wind turbines, solar systems and other power sources that receive state subsidies promoting clean energy can be assessed a surcharge when bidding into the country's largest power market, the Federal Energy Regulatory Commission ruled Thursday.

In a 2-1 ruling, FERC found that at times of high demand, those subsidies were suppressing power prices in PJM Interconnection, which provides electricity across 13 states and the District of Columbia and that regulators there needed to take steps to ensure that clean energy sources did not have an advantage over power plants fueled by coal and natural gas.

"I recognize and respect state authority to make decisions about the types of generation that serve their communities. Nothing in this decision prohibits that," said FERC Chairman Neil Chatterjee. "But there can be no question those decisions affect markets. It's our role to make sure the actions of one state do not negatively effect the wholesale markets and to ensure a level playing field."

With states across the country moving to incentivize the expansion of clean energy to address climate change, the ruling has the potential to add further cost to industries less than a decade old that are fast gaining on traditional fossil fuel power plants.

The ruling was limited to a relatively small slice of the PJM market, the so-called capacity market, in which power plants bid to provide power when the grid is nearing capacity. But Commissioner Richard Glick warned that it had the potential to delay the construction of 38,000 megawatts of renewable power currently planned in PJM.

"What we're doing is making it very difficult for state-preferred resources to clear the capacity market," he said. "It's a preference to maintain the status quo and delay the transition to a clean energy future."

A win for Texas is seen as House passes USMCA



Brett Coomer / Staff photographer

Cars and trucks line up at a border checkpoint at Cordova International Bridge in El Paso. The trade pact that President Donald Trump named the United States-Mexico-Canada Agreement passed the House 365-41.

By James Osborne
STAFF WRITER

WASHINGTON — A revised North American trade deal passed the House on Thursday, as Democrats and Republicans came together on an agreement that not only maintains U.S. trade with Canada and Mexico, but attempts to bring manufacturing jobs back to the United States and improve labor conditions across the continent.

After months of contentious negotiations between Democrats and the White House, the trade

Senate is expected to approve the trade deal that replaces NAFTA

pact that President Donald Trump named the United States-Mexico-Canada Agreement passed 365-41, marking a victory for Texas and other border states, which count on trade with Mexico for a substantial portion of their economies.

"This trade agreement is sorely needed. It's been 25 years since we first established this great trade relationship through NAFTA. So much has changed

since then," said Rep. Kevin Brady, R-The Woodlands. "In the end, the USMCA will not be a Republican win or a Democrat win, but a win for the American people."

The USMCA is expected to pass the Republican-controlled Senate next year before it's signed by Trump.

Speaking to reporters Thursday, Treasury Secretary Steven Mnuchin said the USMCA would

increase the nation's rate of economic growth by a half percentage point.

More than a year has passed since Trump agreed to the USMCA while in Chile with former Mexican President Enrique Peña Nieto and Canadian Prime Minister Justin Trudeau to replace the North America Free Trade Agreement, which had come under criticism from both parties for allowing industry to move jobs out of the country.

The deal signaled a new, protectionist stance by the Trump administration.

USMCA continues on B6

New anti-robocall law is closer to approval

By Tony Romm
WASHINGTON POST

WASHINGTON — Congress on Thursday approved the country's first major anti-robocall law in decades, hoping that a mix of new federal powers and regulations targeting the telecom industry will spell relief from spam calls that have rung consumers a record 54 billion times this year.



Under the TRACED Act, the government will gain new powers to find criminals who

will gain new powers to find and prosecute criminals who place batches of calls under fake numbers without obtaining permission, remedying what law enforcement officials have said was a major weakness that inhibited their ability to punish those who contact Americans en masse.

The bill also puts in motion a process requiring AT&T, Verizon and other telecom carriers — small

ed, fraudulent robocalls also must offer people those services for free.

Many provisions in the legislation will take months to implement, and even supporters say it isn't perfect, leaving a number of robocall issues unresolved. Nothing, for example, cuts down on credit card companies, student lenders and others that call Americans in droves.

BUSINESS



Drew Angerer / Getty Images

Treasury Secretary Steven Mnuchin speaks about USMCA and trade to reporters outside of the West Wing of the White House.

USMCA

From page B1

administration, which negotiated a new provision to put tariffs on automobiles in which less than 75 percent of the components were manufactured in the United States, Canada and Mexico. In addition, 40 percent to 45 percent of automobile parts needed to be made by workers earning at least \$16 an hour by 2023.

But Democrats and the White House were split on how far to go in enforcing stricter labor laws in Mexico, as well as environmental protections and controls over prescription drug prices.

A breakthrough came earlier this month when Democrats announced they'd reached a deal with U.S. Trade Representative Robert Lighthizer, including an enforcement mechanism that allows U.S. inspectors into Mexican factories to ensure they're keeping up with stricter labor laws — a provision designed to stop the export of manufacturing jobs into Mexico by companies seeking to avoid regulatory costs.

The agreement, however,

didn't go far enough in the eyes of many progressive Democrats and labor unions, including the International Association of Machinists and Aerospace Workers, which has a large membership in Houston. But its labor and environmental protections went beyond earlier free trade agreements, said Rep. Lloyd Doggett, D-Austin, who voted in favor of the USMCA.

"There were more than just platitudes about working conditions and the environment," he said. "Like every trade agreement, it's not perfect but it's a substantial step forward. This is a big win for Texas."

Only 38 Democrats and 2 Republicans voted against the USMCA, none of whom were from Texas.

Since the 1990s, North American trade has become integral to the Texas economy, which relies on a steady back and forth flow across the border of everything from oil to agricultural goods.

Last year, the state exported more than \$137 billion worth of goods to Mexico and Canada, its two largest markets, accounting for more than 40 percent of Texas exports.

"Canada and Mexico have

been two of Houston's most important trading partners for over 20 years and USMCA is critical to continuing that relationship," Bob Harvey, president of the Greater Houston Partnership, said last week after Democrats announced they'd struck a deal with the White House.

But there were reservations among many Republicans, who supported the USMCA, but questioned whether the White House had gone too far to appease Democrats.

Last week Sen. John Cornyn, R-Texas, criticized Lighthizer for excluding congressional Republicans from negotiations. Rep. Dan Crenshaw, R-Kingwood, has questioned the decision to omit a provision contained in the original USMCA that would have protected pharmaceutical companies from competition with generic drugs.

"I'm glad Congress was able to reach a compromise on USMCA, Crenshaw tweeted last week. "But part of the deal that Democrats demanded in order to get to 'yes' will lead to increased drug prices."

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Bank in talks to settle in Malaysia scandal

By Emily Flitter and Matthew Goldstein
NEW YORK TIMES

Goldman Sachs is negotiating with federal prosecutors to pay a fine of as much as \$2 billion and have a subsidiary plead guilty to settle claims about its role in a scheme to loot billions from a sovereign wealth fund in Malaysia, according to two people with knowledge of the matter.

The case stems from a scheme to siphon off more than \$2.7 billion of the \$6.5 billion raised for the (Malaysia Development Berhad, known as IMDB. Federal authorities have that said Jho Low, a flamboyant Malaysian financier, was the principal architect of the plot to bribe public officials that has led to the guilty plea of a former Goldman partner and criminal charges against another of the bank's executives.

The investigation is focused on violations of money laundering and foreign bribery laws. The settlement could include a guilty plea from Goldman's subsidiary in Asia, the people said. The bank may agree to include an outside monitor to review its compliance procedures, a provision that has

become common when banks resolve criminal investigations.

A separate fine paid to the government of Malaysia and other regulatory agencies could raise the total financial penalty to more than \$2 billion, according to three people familiar with the talks. It is possible the settlement could be completed by the end of January.

The bank could reach a deferred prosecution agreement, in which prosecutors drop charges if the bank complies with a number of provisions.

The bank has said it was cooperating with the investigation. A spokesman for federal prosecutors overseeing the investigation declined to comment.

Last year, a former Goldman partner, Tim Leissner, pleaded guilty to helping orchestrate the fraud, which involved the sale of bonds to raise money for IMDB. On Monday, Leissner was barred by securities regulators from working in the banking industry.

Low, who was also charged by federal prosecutors and Malaysian authorities, is believed to be living in China and has not made an appearance in court to respond to the charges.

ECONOMY

From page B1

mining and logging sector contracted by 2.8 percent in the second quarter, compared to an earlier estimate that sector grew at a 5.5 percent rate. Houston is more exposed to the oil and gas industry than the state as a whole.

Oil prices have been stuck below \$65 per barrel for much of the year and Wall Street investors have retined in oil exploration and production companies' spending. Several companies have cut back on payroll and activity; producers have pulled more than 270 drilling rigs from operation in U.S. oil and gas fields since the start of the year, a 25 percent decline. Related sectors, such as manufactur-

ing, are hurting, too, as fewer orders come in from oil companies.

"Texas job growth has slowed this year due to weakness in the energy sector and some slowing of the manufacturing sector," said Keith Phillips, assistant vice president and senior economist at the Dallas Fed. "Overall, however, Texas remains strong with historically tight labor markets."

Across the state, job growth in Texas picked up in October to 2.5 percent rate from an average of 1.9 percent in the prior three months, as accelerating health care, housing and transportation sectors helped compensate for a slowing energy sector and weakened manufacturing activity.

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HOTEL

From page B1

Capital is also a partner on the project.

The deal was last discussed publicly in August 2018, when Houston First's board voted to continue negotiations for a final agreement between the agency and the developer.

"I'm excited and optimistic about this project and what it'll do for Houston," Bill Franks, a local consultant working with the developer, told the board Thursday.

Al Kashani of Texas Hospitality Partners also addressed the board, saying he was ready to finalize the details to get the

hotel built. He cited a \$4 billion economic impact related to the project, which is expected to cost more than \$120 million to develop.

Kashani did not comment on the delay.

In 2018, he told Houston First that the 308-room hotel would be privately financed and create a minimum of 275 permanent jobs worth more than \$44 million annually, along with more than 745 construction jobs.

The initial set of proposed incentives included rebates of the state's hotel occupancy and sales taxes for 10 years; a portion of the city's hotel occupancy taxes for 12 years; and city property and sales and

mixed-beverage taxes for 12 years. Along with a 16-year rental abatement for the air rights lease, the incentives would be spread over more than a decade. They would decrease if the hotel's profits exceed a specific amount.

Houston First manages more than 10 city-owned buildings, including the Hilton Americas-Houston hotel, the convention center, Jones Hall for the Performing Arts and Wortham Theater Center.

If the board approves the final terms, the matter will head to Houston City Council for a vote.

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Melissa Philip / Staff photographer

The proposed W Hotel would be built atop Partnership Tower, shown here, Houston First's 10-story office building.

From page B1

call-blocking app that found that 60 percent of such calls are fraudulent.

"It's going to give law enforcement, the FCC, the tools to go after robocallers who break the law," said Rep. Frank Pallone Jr., D-N.J., the lead author of the legislation in the House.

Even as Washington warred with itself — deadlocked by partisanship, gripped with impeachment and entering a presidential election year — lawmakers found rare alignment in their hatred of robocalls. Spurring Democrats and Republicans to act was an outcry from voters and businesses tired of the telecom intrusions and victims who said their identities had been stolen when they unwittingly answered their phones.

Over the past year, illegal robocalls peddled Social Security and credit card scams, targeted Americans enrolling in health insurance and, in one operation revealed this month, allegedly spread misinformation about a political candidate in California. The Federal Communications Commission proposed a nearly \$10 million fine for the suspected originator of the calls made shortly before California's 2018 primary election for the state assembly.

But the disruptions have proved to be more than a mere nuisance: They imperiled hospitals, overwhelming doctors' phone lines and scaring patients, leading medical professionals to



Alex Edelman / Tribune News Service

Rep. Frank Pallone Jr., D-N.J., shown with Rep. Jan Schakowsky, D-Ill., said the new law is "going to give law enforcement, the FCC, the tools to go after robocallers who break the law."

fear that robocalls could create a public health crisis if left untreated. In response, new law adopted by Congress creates a special task force to address robocalls targeting hospitals and other health care organizations, responding to reports from the Washington Post.

"There are numerous stories of hospital telephone lines being flooded with robocalls, disrupting critical lines of communication for hours," said Sen. John Thune, R-S.D., who helped author the legislation. "That can't be allowed to go on."

Federal law already had set limits

on robocalls — requiring, for example, callers to get permission before bombarding people with prerecorded messages. But the rules, adopted in 1991, increasingly proved to be no match against fraudsters who developed sophisticated techniques to masquerade their phone numbers and dial or text consumers in large batches. Federal regulators said they were hamstrung, noting that they sometimes had to issue stern warnings before they could bring fines — a gap in enforcement that the TRACED Act eliminates.

Initially, House lawmakers also took aim at a wider array of robo-

calls to rethink what qualifies as an automated dial in the first place. The proposal might have resulted in consumers receiving fewer unwanted calls from scammers and legitimate businesses alike.

But it quickly faced staunch opposition from business groups such as the U.S. Chamber of Commerce and top lobbyists from the insurance, banking and student lending industries, which pressured Congress to preserve their ability to continue calling consumers. In the end, a scaled-back approach favored by Senate Republicans prevailed.

Sen. Edward Markey, D-Mass., who helped craft the proposal, acknowledged in a statement that he initially hoped "the final bill would have also tackled certain definitional issues" but added that "some industries that rely on harassing consumers with robocalls opposed strong action on this front."

"The FCC has, and should use, its authority to address any remaining gaps," Markey added.

The chamber said it had not taken a position on the legislation Congress approved this week.

Over the past year, the FCC has introduced new efforts designed to clamp down on robocalls. In June, for example, the FCC voted to allow AT&T, Verizon and others to block suspected spam calls by default on behalf of their subscribers. Those carriers, meanwhile, began offering consumers new robocall-blocking tools, as did device makers such as Apple and app developers on their plat-

Alex Quilici, the founder of YouMail, said it's probably going to be "12 to 18 months before" the flurry of federal activity affects the heavy volume of robocalls that Americans receive.

"It gives enforcement more time and more teeth, but that doesn't mean instantly they can go arrest hundreds of robocallers and put them in jail," Quilici said. "It's going to take some time to apply the law's enforcement provisions."

Lawmakers also opted against specifying a hard deadline by which all carriers must implement technology to crack down on a practice known as spoofing, in which a robocaller uses a phone number similar to the person they're trying to call in an attempt to get them to pick up. AT&T, Sprint, Verizon and T-Mobile have made early strides putting it into place — and the results for some smartphone users are warnings when they're receiving suspicious calls. But some carriers are struggling to implement the system nationwide, particularly on older telephone networks.

"It won't have an immediate impact on day one or day two, but it requires the institution of a number of methodologies that will address different problems causing unwanted robocalls," said Margot Saunders, the senior counsel at the National Consumer Law Center.

"It's not as much as we wanted," she added, "but it will help address the onslaught of robocalls."

BUSINESS

HOUSTON CHRONICLE • THURSDAY, DECEMBER 19, 2019 • SECTION B ★★

● DOW: 28,239.28, down 27.88 (-0.1%) | ● S&P: 3,191.14, down 1.38 (-0.0%) | ● OIL: \$60.84, down 9¢ (-0.1%) | ● NATURAL GAS: \$2.28, down 1¢ (-0.1%)

Appeals court rules part of 'Obamacare' invalid

Panel rejects 'individual mandate' of law, says other sections need further review

By Rebecca Santana
and Mark Sherman
ASSOCIATED PRESS

NEW ORLEANS — The "individual mandate" of former President Barack Obama's health care law is invalid, and other parts of the law need further review, a federal appeals court ruled Wednesday.

The court's decision will not immediately affect the Affordable Care Act, Obama's signature health care policy, which remains in place while the court

case continues. The 2-1 ruling handed down by a panel of the 5th U.S. Circuit Court of Appeals in New Orleans largely sidestepped what happens to some of the most popular parts of the Affordable Care Act such as protections for those with pre-existing conditions, Medicaid expansion and the ability for children under the age of 26 to remain on their parents' insurance.

The panel agreed with Texas-based U.S. District Judge Reed O'Connor's 2018 finding that the law's insurance requirement, the

so-called "individual mandate," was rendered unconstitutional when Congress, in 2017, reduced a tax on people without insurance to zero.

The court reached no decision on the big issue — how much of the Affordable Care Act must fall along with the insurance mandate. The Act has remained in place while the question of its future has been litigated in court.

"It may still be that none of the ACA is severable from the individual mandate, even after this inquiry is concluded. It may be that all of the ACA is severable from the individual mandate. It may also be that some of the ACA is sev-

ACA continues on B7



Angel Valentin / New York Times

A storefront in Miami promotes the Affordable Care Act. A federal appeals court has struck down a linchpin of the law.

Oil field service sector changing

Mergers, layoffs, sale of assets cap chaotic year across industry

By Sergio Chapa
STAFF WRITER

Oil field service companies are closing the year with asset sales, mergers and layoffs, which observers say are needed to protect the struggling sector from the boom-and-bust cycles of the industry.

Houston-based Superior Energy Services said Wednesday it was getting out of several other lines of business in U.S. shale plays and creating a new company by merging those assets with Alice oil field service company Forbes Energy Services.

Financial terms were not disclosed, but Superior will control 65 percent of the new company, which will focus on well completions, oil and natural gas production and services to move freshwater and wastewater in shale plays across the United States. The new company has yet to be named.

Superior will keep its name and use its remaining business lines to focus on more lucrative international and offshore markets.

The deal comes following weeks of asset sales, mergers and layoffs across the struggling oil field service sector, which provides drilling, hydraulic fracturing and other services to oil and natural gas producers.

With crude oil prices just over \$60 a barrel, after spending

Sector continues on B7

TRANSPORTATION



Steve Gonzales / Staff photographer

With Ethiopian Airlines' new nonstop flight from Lomé, Togo, in West Africa, Houston again carries the distinction of being connected to every continent but Antarctica.

By Andrea Leinfelder
STAFF WRITER

Ethiopian Airlines' inaugural flight to Houston, landing Monday night with a water cannon salute, has revived an important distinction for the city. Houston is once again connected to every continent but Antarctica, an accolade lost in 2018 with the cancellation of SonAir's charter flight to Luanda, Angola.

This new flight, Ethiopian Airlines' fifth nonstop destination in North Amer-

Flying high after tragedy

Ethiopian Airlines launches nonstop flight to Houston since 737 Max crash

ica, operates three times a week between Bush Intercontinental Airport and Lomé, Togo, in West Africa. Group CEO Tewolde GebreMariam was in Houston to celebrate the plane's arrival and to discuss the airline's growth and challenges in 2019.

This year marked its new U.S. flight, an overall increase in traffic and global recognition for the airline's expansion. But it also saw the crash of a Boeing 737 Max, operating as Ethiopian Airlines Flight

Ethiopian continues on B7



Devon Energy is selling its last site in the Barnett shale. The region has seen activity drop from 200 rigs in 2008 to one now.

Staff file photo

Top firm in Texas' birthplace of shale exits for \$770 million

By Jordan Blum
STAFF WRITER

The birthplace of the shale industry is losing the last of its top industry players after Devon Energy agreed to sell its remaining position in the Barnett shale for \$770 million.

The shale boom started in the Barnett, which is near Dallas, when George P. Mitchell showed that the combination of hydraulic fracturing and horizontal drilling could free natural gas

from shale rock. He eventually sold his Mitchell Energy to Oklahoma-based Devon in 2002 for more than \$3 billion.

As the shale boom shifted from natural gas to crude oil and from East Texas to West Texas' Permian Basin, the Barnett has seen its activity plunge from a peak of about 200 rigs in 2008 down to just one remaining active drilling rig today, according to the oil field services firm Baker Hughes.

"The Barnett is where Mitch-

ell built his position and spent 20 years trying to unlock it. Eventually, he was successful," said Ed Hirs, a University of Houston energy economist. "He was an overnight billionaire after 40 years of work."

A Galveston native who also developed the planned community known as The Woodlands, Mitchell died in 2013 at age 94.

But now the shale gas industry is a victim of its own success. The sector is producing vast

Shale continues on B5

GREENWOOD KING

a place to find your home



River Oaks — 3201 Kirby Drive

West University — 1616 S. Voss, Suite 900

Hunters Creek — 1801 Heights Blvd.

G R E E N W O O D K I N G . C O M

Houston Chronicle business section banner ad 12-13-2013

BUSINESS

WaterBridge snatching up Permian deals

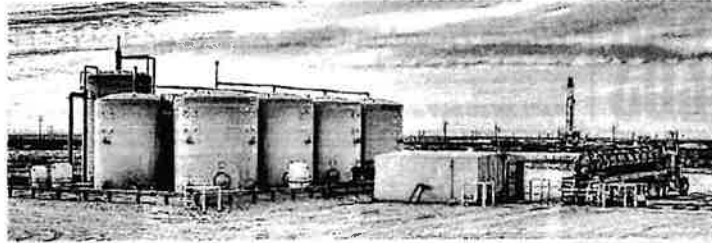
Equity financing aids in buying pipe, wells

BLOOMBERG NEWS

WaterBridge Holdings, a U.S. company that handles water for the fracking industry, is scooping up more infrastructure in the Permian Basin, this time from private equity-backed drillers.

The closely held company has acquired almost 100 miles of pipeline and seven disposal wells from Primexx Energy Partners, Warburg Pincus's Tall City Exploration III and Blackstone Energy Partners' Jetta Permian, it said Wednesday in a statement.

"When you're in your early phase of exploiting your resource, it's very difficult to continue to grow at the pace you want by only drilling what your cash flow will allow," David Capobianco, chairman of WaterBridge and chief executive officer of Five Point Energy, which backs the company, said in an interview. "It's pushing



Houston-based WaterBridge Resources has secured financing that will be used to expand its presence in the Permian Basin of West Texas.

these producers to sell their water midstream assets."

To finance the deals, WaterBridge issued \$195 million of common equity to private equity firm Five Point Energy, an affiliate of Singaporean sovereign wealth fund GIC Pte, and to its own management. It also issued \$150 million of preferred equity to Magnetar Capital, which has the right to acquire another \$100 million.

While drilling activity in the Permian has been cooling in recent months, the business of supplying water to shale producers in the biggest U.S. oil patch—and disposing of the wastewater—continues to attract private equity. Spending on oilfield water management in the U.S. is forecast to average \$7 billion per year in 2019 through 2028, according to a recent report from Bluefield Re-

search.

Capobianco estimates about three-quarters of oilfield water management infrastructure is still owned by producers, and said WaterBridge is likely to similar deals to those announced Wednesday, "particularly in areas where we've built the dominant networks for midstream water management."

Despite the anticipated slow-

down in the Permian next year, Capobianco sees water volumes in the shale patch rising from about 10 million barrels a day to about 25 million barrels over five years.

"If you track the expectations for the growth in crude oil, you can basically multiply them by four to five in the Delaware and one-and-a-half to two in the Midland," he said of projected water volumes in the Permian's two biggest sub-basins.

WaterBridge has previously signed deals with Permian operators including Concho Resources, Halcon Resources and PDC Energy. GIC acquired a minority stake in WaterBridge earlier this year in a deal that valued the company at about \$2.8 billion, a person familiar with the matter said at the time.

The latest acquisitions mean that WaterBridge now has long-term commitments for more than 600,000 acres in the southern portion of the Permian's Delaware sub-basin.

Mechanic pleads guilty to sabotaging airplane

By Curt Anderson
ASSOCIATED PRESS

MIAMI — A longtime airline mechanic with some possible links to Muslim extremists pleaded guilty Wednesday to sabotaging a jetliner with 150 people aboard, causing the pilot to abort the flight just before takeoff at Miami International Airport.

Abdul-Majeed Marouf Ahmed Alani entered the plea in Miami federal court. He previously admitted to investigators that he committed the sabotage, insisting it was an attempt to gain overdue to fix the American Airlines jet — which he did.

"I do admit the guilt," Alani, shackled and wearing tan jail clothing, said through an Arabic interpreter.

Alani, 60, is a naturalized U.S. citizen originally from Iraq who has been an airline mechanic for 30 years. Prosecutors say he has a brother in Iraq who may be involved with the Islamic State extremist group and that he had made statements wishing Allah would use "divine powers" to harm non-Muslims.

Investigators said Alani also had Islam State videos on his phone depicting mass murders and that he traveled to Iraq in March but did not disclose that to the FBI after his arrest.

Despite that evidence, Alani was never charged with any terrorism-related crime. He pleaded guilty to attempted destruction of an aircraft, which carries a maximum 20-year prison sentence. Alani will likely get less prison time when he is sentenced March 4.

Court documents show the sabotage involved gluing Styrofoam inside the nose of the Boeing 737 so that it disabled a component pilots use to monitor things such as airspeed, altitude and the pitch of the plane. Authorities say if the flight had taken off as planned July 17 for Nassau, Bahamas, the sabotage could have caused a crash.

Many of Alani's actions that day were captured on surveillance video and he was identified by fellow workers.

Alani's attorney, Jonathan Meltz, said he has led a "law-abiding life" before this incident and that he never intended to harm the aircraft or the people aboard. Meltz said his sole motivation was "just trying to provide for his family like most of us try to do."

As for prosecutors' previous statements linking Alani to terrorism, Meltz noted none of that came up Wednesday.

"This case is only about what you heard," Meltz said.

Justices to review work bias laws at religious schools

By Robert Barnes
WASHINGTON POST

WASHINGTON — The Supreme Court will consider how much leeway religious organizations have in firing their employees in two cases from California filed by teachers who lost their jobs at Catholic schools.

The court said Wednesday that it will combine the two cases, in which panels of the U.S. Court of Appeals for the 9th Circuit in San Francisco said teachers could proceed with their lawsuits against the schools. One teacher alleged age discrimination, and another, now deceased and represented by her husband, said she was fired after informing the school that she had breast cancer.

The cases ask the court for further guidance on when an employee should be considered secular and, thus, able to take advantage of anti-discrimination laws — or religious, and, thus, unable to do so.

Religious organizations — and dissenting conservative judges on the 9th Circuit — said the decisions in the two California cases did not follow precedent set by the Supreme Court in 2012. In the unanimous decision, the court said the "ministerial exception" meant that a former teacher at a Michi-

gan Lutheran school could not sue her employer.

The decision said, in part, that the First Amendment protects religious organizations in deciding whom to employ to espouse religious training. It added that courts should look not just at an employee's title but also duties in deciding whether religious instruction was an important function of the job.

The Becket Fund for Religious Liberty said in a brief asking the Supreme Court to intervene that only the 9th Circuit has interpreted the standard so narrowly that only cases exactly like the one decided by Hosanna-Tabor Evangelical Lutheran Church & School v. EEOC were prohibited.

"Seven federal courts of appeals and seven state supreme courts, in cases involving Catholic, Protestant, and Jewish employers and many different kinds of roles, have all concluded that the presence or absence of religious function is the touchstone of the ministerial exception inquiry," it said.

"In the face of that united approach among its sister courts, the Ninth Circuit decided to flout the consensus," the brief said, and conclude that "important religious functions could never be enough, by themselves, to prove an employee's ministerial status."

But attorneys for the women

said the religious groups are trying to expand the Supreme Court's decision to mean that if an employee performs any religious function — even if she has not received any religious training — she is barred from filing suit.

The 9th Circuit panels conducted fact-intensive inquiries and concluded that the totality of the circumstances meant that the women were not religious employees, lawyers representing them told the Supreme Court.

The Catholic schools take the position that "if the individual employee performs even a single religious function, that employee would be covered under the ministerial exception as a 'minister,'" said a brief filed by Agnes Morrissey-Berru, who filed suit alleging age discrimination against Our Lady of Guadalupe School in the Los Angeles area.

In the other case, Kristen Biel sued St. James School in Torrance. She said her contract was not renewed in 2014 after she told school officials that she was being treated for breast cancer. Biel sued under the Americans With Disabilities Act, and her suit is being pursued by her husband.

The cases are Our Lady of Guadalupe School v. Morrissey-Berru and St. James Catholic School v. Biel.

SHALE

From page B1

amount of natural gas, which has led to supply gluts and falling prices. Drilling in the Barnett simply isn't economical anymore, analysts said — at least for now. For many companies seeking more lucrative crude

are needed to make it worthwhile.

After previously selling other parts of its Barnett acreage, Devon will exit the region with the sale to a Denver-based private equity firm called Kalnin Ventures, which is backed by the Thai coal-mining and power giant Banpu. The shale position will be operated by BKV Oil &

Devon will hold positions in the Permian, South Texas' Eagle Ford shale, Oklahoma and Wyoming's Powder River Basin.

BKV and Banpu are betting that demand for natural gas will grow as the world turns to cleaner energy. Natural gas is the cleanest-burning fossil fuel and produces less carbon dioxide than coal and oil. BKV also has



oil, natural gas is an unwanted byproduct that some just burn away.

"The Barnett at this point is just another mature asset. Mitchell was never sentimental about these things," Hirs said. "You're not selling a shrine; you're selling a commodity."

Hirs said Devon was fortunate to find a buyer. There's still plenty of natural gas in the Barnett, he said, but higher prices

Gas Capital Partners.

The deal includes more than 320,000 gross acres and 4,200 producing wells, making BKV the biggest producer in the Barnett once the deal closes next year. The holdings produce about 600 million cubic feet of natural gas equivalent per day.

"Devon's transformation to a U.S. oil growth business is now complete," said Chief Executive Dave Hager.

natural gas assets in Pennsylvania's Marcellus shale.

"This deal represents our continued belief in the long-term potential of U.S. shale gas," said BKV CEO Christopher Kalnin, "and is fully in line with Banpu's vision of developing a greener and smarter energy portfolio."

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Staff file photo

George Mitchell, a Barnett shale pioneer in 1992, sold Mitchell Energy to Devon Energy in 2002 for more than \$3 billion.

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BUSINESS

ETHIOPIAN

From page B1

302, that killed more than 150 people. The airline had five Boeing 737 Max planes at the time of the accident. Four have been grounded since.

GebreMariam, in an interview, spoke about these highs and lows.

Q: Why did Ethiopian Airlines begin flying to Houston? Who are you expecting as customers?

A: Houston, as we all know, is a very vibrant, fast-growing city. And it has a lot of activities in energy, health care and other industries. So business travel is our main focus. And second is leisure. Houston is the largest concentration of Nigerians in the U.S., and a lot of Ethiopians and other Africans live here, too, so they will be traveling to visit friends and relatives back home. And then the other part of leisure is the American tourists visiting Africa. We are targeting this segment and, of course, we have also American missionaries and NGOs working in Africa.

And the route is justifying itself because the first flight was almost full coming into Houston. We are very bullish in our forecast for the traffic. In a very short period of time, we will have a daily service.

Q: On March 10, the second Boeing 737 Max crashed. This crash was on Ethiopian Airlines Flight 302. What was it like when you personally heard the news?

A: It was very shocking. I was in church. And as soon as I heard about the acc-



Gary Fountain / Contributor

Tewolde GebreMariam, group chief executive officer of Ethiopian Airlines, won an Airline Executive of the Year award.

Q: What were those numbers?

A: We aimed for 90 international destinations and 120 airplanes by 2025. By 2018, seven years ahead of the scheduled achievement period, we had already crossed 120 destinations. And the airplanes are already 130. So it was really a remarkable success and that's why the industry is recognizing it.

Q: How have you continued this growth, and the airline's positive image, following the Boeing 737 Max accident?

A: The global brand of the airline is amazingly strong, especially in the continent of Africa. So people knew right from Day 1 that this accident doesn't belong to Ethiopian. It's just a matter of bad luck that the accident happened to be with us, but it had nothing to do with the airline. We had the accident on March 10, but in the month of March itself our traffic grew by 10 percent from the previous year. When we closed our financial year by June 2019, traffic grew by 17 percent. So this shows you that people and the traveling public have strong confidence in the brand of the airline.

Q: Market intelligence firm CAPA - Centre for Aviation presented you the Airline Executive of the Year award. How did that feel?

A: We are very happy that the industry recognizes our effort and our successes. Today, we are the largest airline in the continent of Africa. That growth has been very, very fast in a short period of time.

Q: Can you elaborate on that growth?

A: In 2010, we introduced our Vision 2025 where we had a 15-year

strategy for the airline. At that time, the airline was very small, No. 4 in Africa, and nobody believed that we would achieve those numbers that we put in our Vision 2025. ... That finance would be an issue, resources would be an issue, pilots, technicians, etc.

Q: What were those numbers?

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SECTOR

From page B1

much of the year in \$50-per-barrel range, producers have pressured services providers to cut prices and improve efficiency.

Duane Dickson, an executive overseeing the U.S. oil, gas and chemicals arm of the global consulting firm Deloitte, said the struggling oil field service sector can improve its earnings by dumping unprofitable business lines, improving profit margins on core products and services and embracing digital technology, among other measures.

"This is not expected to be an easy lift," Dickson wrote in a recent report on the topic. "Many oil field service companies rely on the same business models that worked for \$100 plus per barrel of oil, which are stifling innovation and efficiency today."

Many companies appear to be taking that advice to heart. The deal between Superior and Forbes comes less than a week after Fort Worth oil field service company Basic Energy Services announced it was selling of its unprofitable hydraulic fracturing business and focusing on more profitable business lines.

Stockholders with Houston oil field service compa-

nies C&J Energy Services and the Keane Group voted in October to approve a \$1.8 billion merger deal to create a new company named NexTier Oilfield Solutions.

Other oil field service companies are responding to tough market conditions by stacking equipment and laying off employees. Houston services companies Halliburton, National Oilwell Varco and Pumpco Energy Services and the Houston oil field equipment maker Stewart and Stevenson have announced a combined 1,015 layoffs over the past month.

James West, research director for the New York investment advisory firm Evercore, said times will get harder before they get better.

West is asking companies to take a pledge to improve their profitability and keep their budgets within cash flows - or face more punishment from Wall Street, which has pushed down energy stock prices this year.

"The coming year is a consequential one for energy," West said during a recent call. "The energy sector feels like it's facing an existential crisis in the investor community. Poor returns have driven investors away in droves."

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ACA

From page B1

erable from the Individual mandate, and some is not," Judge Jennifer Elrod wrote.

O'Connor has to be more specific about which parts of the law can't be separated from the mandate, and also must take into account Congress' decision to leave the rest of the law essentially unchanged when it reduced the penalty for not having insurance to zero, Elrod wrote.

In dissent, Judge Carolyn Dineen King said her colleagues were prolonging "uncertainty over the future of the healthcare sector." King would have found the mandate constitutional, although unenforceable, and would have left the rest of the law alone.

"Without any enforcement mechanism to speak of, questions about the legality of the Individual 'mandate' are purely academic, and people can purchase insurance - or not - as they please," King wrote. "No more need be said; it has long been settled that the federal courts deal in cases and controversies, not academic curiosities."

dent Donald Trump and congressional Republicans.

With the health law's ultimate fate still in doubt, Democrats will argue that Republicans are trying to strip coverage away from 20 million Americans.

All the Democratic presidential candidates favor expanding coverage to the remaining 27 million uninsured, although their ideas range from building on the Obama health law to replacing America's mix of private and public insurance with a single plan run by the government.

The decision comes after the conclusion of sign-up season for ACA coverage for next year. Technical glitches over the weekend had led to an extension until early Wednesday. That means the court ruling will not affect enrollment for 2020.

The lawsuit followed congressional approval of a major tax cut in 2017, which included the reduction of the "Obamacare" tax on the uninsured to zero. The case came about because "Obamacare" opponents noted a splintered Supreme Court ruling of 2012 that upheld the law.

In that decision, conservative justices had rejected

LIFE TRIBUTES

CYNTHIA JANE BARRICK SARVER

1935-2019

Cynthia Jane Barrick Sarver, 84, quietly passed away on December 13, 2019. Born November 5, 1935 to parents Frederick Pierpoint and Opal Sagraves Barrick of Louisville, Kentucky. Cynthia graduated from Ashland High School in KY in 1952 and attended Eastern Kentucky College. A trail blazing career woman, Cynthia's resume included working at Ashland Oil and Gas, the CSX Railroad and working for the State of Ohio where she met her late husband, Jack Sarver, whom she married in 1962.

Cynthia and Jack built their dream home together in Dublin, OH on a Jack Nicklaus golf course. Cynthia remained an avid Ohio State fan until the day she passed cheering the Buckeyes on every Saturday, something she and Jack loved to do together. At one point, she and Jack had a dog, Brutus the Buckeye Beagle. Cynthia was so hoping that this is the Buckeyes' year for a National

to be near her Texas family in 1981. After working several years at the Museum of Fine Arts, she finally found her life's passion, home, and family at St. Luke's United Methodist Church serving as executive assistant to Senior Pastor, Dr. Jim Moore. She retired from St. Luke's alongside Dr. Moore in 2006. Cynthia and Dr. Moore continued to work together for several years after retirement. Cynthia typed and proofed countless manuscripts for Dr. Moore's books.

Cynthia was a warm and wonderful woman with a great sense of humor and a beautiful sense of style. She loved her family and enjoyed spending weekends at the family beach house in Galveston with lots of activity buzzing. She enjoyed all the special holiday and family events that she shared with extended family. Cynthia was kind and thoughtful and meant so much to the many people that loved her.



Barrick, Jr. his wife Joanne Weinhardt Barrick, her sister, Susan Ann Barrick Garver, and her husband, Jack Garver. Survivors include brother in law Curtis Michael Garver of Houston, niece Anne Barrick Tart and husband David of Raleigh, NC, nephew Frederick Pierpoint Barrick III and wife Kim of Lawrenceville, GA, as well as Elizabeth Garver Black and husband Don and Gretchen Garver Hilyard and her husband Alan, all of Houston. Cynthia also leaves

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CHARLES RAY NETTLES

1931-2019

Charles Ray Nettles passed away on October 31, 2019 after a lengthy battle with old age. He was born May 16, 1931 at Charity Hospital in New Orleans, La. Mr. Nettles was the son of Ivan Gayle Nettles and Lillian Nettles, both deceased. He was preceded by his wife of 55 years, Marion Ulmer Nettles.

He is survived by his children Margaret Anne Nettles of Houston and Charles Ray Nettles Jr. (Cindy) of Austin. Additionally, he is survived by two grandchildren, Casey Clover Nettles (Mitchell Carpenter) of Fort Worth and Cole Sumner Nettles (Marissa) of San Antonio. He was especially excited about his great-grandson, Boden Haskell Carpenter of Fort Worth.

Ray, as his friends called him, graduated from Holy Cross High School in New Orleans (1948) and attended Tulane University.

He was quite active at St. Ignatius Loyola Catholic Church, serving on the Board of Governors and other parish activities. After his retirement, he became a Chaplain after several years of study. He served as chaplain for a number of years working at Methodist Hospital-Willowbrook and Northwest Hospital.



He was proud to have been the first and only employee of Chiquita Brands (United Fruit Company) to complete 50 years of continuous employment. During Mr. Nettles' career, which he began as office boy and ended as Regional Director, he spent time in New Orleans, Peoria, Memphis, Houston, Kansas City and McAllen. After retiring from Chiquita, he went to work as Vice President of New Business Development with Mountain King Potatoes.

He finally retired and stayed retired when he spent a year caring for his wife, Marion, prior to her death in 2003.

A Mass and reception in his memory will be held Friday, December 20, 2019 at 11:00 a.m. at St. Ignatius Loyola Catholic Church. In lieu of flowers, Mr. Nettles asked that donations should be sent to his favorite charity, St. Jude Children Hospital in Memphis.

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HOUSTON★CHRONICLE

California Attorney General Xavier Becerra, who is leading state efforts to defend the law, promised a quick appeal to the Supreme Court.

"For now, the president got the gift he wanted - uncertainty in the healthcare system and a pathway to repeal - so that the healthcare that seniors, workers and families secured under the Affordable Care Act can be yanked from under them," Becerra said in a statement.

Attorney General Ken Paxton of Texas applauded the court's decision to declare the mandate unconstitutional.

"As the court's opinion recognized, the only reason the Supreme Court upheld Obamacare in 2012 was Congress' taxing power, and without the individual mandate's penalty that justification crumbled," Paxton wrote. "We look forward to the opportunity to further demonstrate that Congress made the individual mandate the centerpiece of Obamacare and the rest of the law cannot stand without it."

The court's ruling ensures "Obamacare" will remain a political issue during the 2020 election campaign, giving Democrats a line of attack against Presi-

the argument that Congress could require that everyone buy insurance. But Chief Justice John Roberts, joining four liberal justices, said Congress did have the power to tax those without insurance.

With no tax in effect, the Texas lawsuit argued, the so-called "individual mandate" was unconstitutional and the entire law must fall. Judge O'Connor agreed in his December ruling.

Supporters of the law said the reduction of the tax penalty to zero could be read as a suspension of the tax, which didn't render the mandate unconstitutional. They said the structure for collecting a penalty from the uninsured remained in place.

They added that, even if the individual mandate was rendered unconstitutional by the tax cut bill, the rest of the law could be salvaged.

Congress had already failed to repeal the Affordable Care Act in its entirety, the law's supporters noted. What happened in 2017, they contended in written arguments, is that Congress "chose to make the minimum coverage provision unenforceable - while leaving every other part of the ACA in place."

NATION | WORLD

Global climate talks end with few results

By Brady Dennis
and Chico Harlan
WASHINGTON POST

MADRID — Global climate talks lurched to an end here Sunday with finger pointing, accusations of failure and fresh doubts about the world's collective resolve to slow the warming of the planet — at a moment when scientists say time is running out for humans to avert steadily worsening climate disasters.

After more than two weeks of negotiations, punctuated by raucous protests and constant reminders about the need to move faster, bleary-eyed negotiators barely mustered enthusiasm for the compromise they had patched together, while raising grievances about the many issues that remain unresolved.

At a gathering where the mantra "Time for Action" was plastered throughout the hallways and on the walls, the talks failed to achieve their primary goals. Central among them: convincing the world's largest carbon-emitting countries to pledge to more aggressively tackle climate change beginning in 2020.

"We are not satisfied," the chair of the meeting, Chilean Environment Minister Carolina Schmidt, said. "The agreements reached by the parties are not enough."

Delegates from nearly 200 nations wrestled for more than 40 hours past their planned deadline — making these the longest in the 25-year history of these talks — even as workers broke down parts of the sprawling conference hall, food vendors closed and all but the most essential negotiators went home.

As officials scrambled to finalize a complex set of rules to implement the 2015 Paris climate accord, a handful of larger-emitting countries squared off again and again against smaller, more vulnerable ones. In particular, negotiators came to loggerheads while crafting the rules around a fair and transparent global carbon trading system, and pushed the issue to next year. Fights also dragged out about how to provide funding to poorer nations already coping with rising seas, crippling



Activists protest outside of the United Nations climate talks in Madrid. The U.N. secretary-general, António Guterres, warned that failure to tackle global warming could result in economic disaster.

droughts and other consequences of climate change.

The painstaking pace of the talks stood in contrast to the mass demonstrations and vehement pleas from young activists, some of whom staged protests inside the conference hall and accused world leaders of neglecting the most significant challenge facing humanity.

"This is the biggest disconnect between this process and what's going on in the real world that I've seen," said Alden Meyer, director of strategy and policy for the Union of Concerned Scientists, who has been attending climate talks since the early 1990s.

"You have the science crystal on where we need to go. You have the youth and others stepping up around the world in the streets pressing for action," he added. "It's like we're in a sealed vacuum chamber in here, and no one is perceiving what is happening out there — what the science says and what people are demanding."

Sunday's outcome underscored how, only four years after the Paris agreement produced a moment of global solidarity, international divisions and a lack of momentum threaten the effort to limit the

warming of the Earth to dangerous levels.

"The can-do spirit that birthed the Paris Agreement feels like a distant memory today," Helen Mountford, a climate expert for the World Resources Institute who watched the talks closely in Spain, said in a statement Sunday.

The tepid progress in Spain sets up a critical moment ahead of next year's gathering in Glasgow, where countries had been asked to show up with more ambitious pledges to slash their carbon footprints.

But Sunday's conclusion raised new doubts about the prospects on whether key nations would rise to that challenge. Already, many countries are not living up to the promises they made in Paris in 2015, when world leaders vowed to limit global warming to "well below" 2 degrees Celsius (3.6 degrees Fahrenheit) — and to try to remain below 1.5 degrees Celsius.

The world already has warmed more than 1 degree Celsius above pre-industrial levels, and current pledges would put the world on a trajectory to warm more than 3 degrees Celsius by the end of the century.

In Madrid, a cross-section of small and developing countries

accused the United States and others, such as Brazil and Australia, of obstructing key parts of the negotiations and undermining the spirit and goals of the Paris accord. Countries already hard hit by climate change argued that large emitters continue to dawdle, even as other imperiled nations face intensifying cyclones, increased flooding and other climate-related catastrophes.

"This is an absolute tragedy and a travesty," Ian Fry, the climate change ambassador from the Pacific island nation of Tuvalu, told fellow negotiators. Fry specifically pointed to the U.S. for playing a destructive role in the talks.

The U.S. is in its final year as part of the international agreement it once helped spearhead. The Trump administration has said it officially will withdraw from the Paris accord on Nov. 4 — the day after the U.S. presidential election.

This event in Madrid was not envisioned as a landmark moment in the implementation of the Paris accord. Negotiators had primarily been asked to iron out a set of complex but important details about how the deal will be implemented.

At the same time, U.N. Secre-

tary-General António Guterres spent much of this year pleading with countries to leave here having pledged to produce more aggressive plans to combat global warming over the coming year.

"The point of no-return is no longer over the horizon. It is in sight and hurtling towards us," he said as the climate talks convened, adding that the "world's largest emitters are not pulling their weight."

In the end, the promises of future action he had hoped for simply did not emerge.

The international gridlock comes at a time when scientists have made clear there is no longer time for delay, especially after a decade in which emissions continued to rise.

Last month, a U.N. report found that global greenhouse gas emissions must begin falling by 7.6 percent each year beginning in 2020 to meet the most ambitious aims of the Paris climate accord. Instead, global emissions are projected to hit another record-high in 2019.

The U.N.-led Intergovernmental Panel on Climate Change this year detailed how warming is already threatening food and water supplies, turning arable land to desert, killing coral reefs and supercharging monster storms. A new federal assessment on Tuesday found that the Arctic might already have crossed a key threshold and could become a contributor to global carbon emissions as huge amounts of permafrost thaw.

One of the few promising developments during the talks came not from Madrid, but from Brussels, where European leaders on Friday pledged to eliminate their carbon footprint by 2050. Though the European Union talks revealed divisions of their own — coal-reliant Poland refrained from signing on for now — they provided a rare example of one of the world's big emitters taking steps to draw up more ambitious reductions goals.

Roughly 80 countries have already committed to setting more ambitious targets in 2020, but the vast majority are small and developing nations that account for barely 10 percent of the world's emissions.



A pro-government supporter wears a heart-shaped Chinese national flag sticker

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DRILLING DOWN

Longest wells in Texas stretch miles across

By Sergio Chapa
STAFF WRITER

Most horizontal wells are measured in feet, but some can literally be measured in miles.

Drilling permits filed with the Railroad Commission of Texas, the state agency that regulates the oil and natural gas industry, reveal the total depth of a well — the combined length of its vertical and horizontal sections. But the Austin oil field data company Enverus took a deeper dive into hydraulic fracturing and completion filings to focus on the horizontal portions of a well to determine the 10 longest horizontal wells drilled in Texas this year.

Horizontal wells are best measured by their gross perforated intervals, the portion of the lateral that is hydraulically fractured using sand, water and chemicals. Enverus used filings submitted by operators to the Railroad Commission for its calculations.

"This is a measure of horizontal part of the wellbore that is hydraulically fractured to produce oil and gas," said Bernadette Johnson, Enverus vice president of strategic analytics. "This is the part of the well where the oil and gas flows from the surrounding rock. Perforated intervals have increased in recent years and resulted in wells with more production."

The Permian Basin of West Texas dominated the list with eight of the 10 longest laterals. The Eagle Ford Shale of South Texas and Haynesville Shale of East Texas each had one.

Surge Energy, a Chinese-owned oil and natural gas company headquartered in Houston,



Eddie Sess / Bloomberg

The 10 longest horizontal wells in Texas

In figures exclusively provided to the Houston Chronicle, Austin oil field data company Enverus opened its vaults to reveal the 10 longest horizontal wells drilled in Texas so far this year. The wells were measured by their gross perforated interval, the portion of the well that was hydraulically fractured using sand, water and chemicals.

OPERATOR	LEASE NAME	WELL NUMBER	COUNTY	BASIN	GROSS PERFORATED INTERVAL (FEET)
1 Surge Energy	Medusa Unit C 28-09	850055	Borden	Permian Basin	16,985
2 CrownQuest Operating	Hang Nail E	61A	Martin	Permian Basin	16,857
3 WPX Energy	CBR 22-27C	3H	Loving	Permian Basin	16,557
4 Patriot Resources	Viper 14N3	24H	Reeves	Permian Basin	16,067
5 Chesapeake Energy	PGE Don	U 2H	Webb	Eagle Ford	16,020
6 Exxon Mobil	LHS Ranch 4-40 ALLDC 40H	40H4H	Upton	Permian Basin	15,996
7 Parsley Energy	Hogan 1-34B	2803H	Midland	Permian Basin	15,949
8 SM Energy	TXL Caitlin (SA) G	2876WB	Upton	Permian Basin	15,929
9 BP	Titan Gas Unit	24H	Angelina	Haynesville	15,833
10 Laredo Petroleum	Sugg-O	1044SU	Reagan	Permian Basin	15,748

Source: Enverus

Staff graphic

drilled and completed the longest lateral in Texas so far this year.

A horizontal well on the Surge's Medusa Unit C 28-09 lease in the Permian Basin's Borden County measured nearly 17,000 feet, or about 3.2 miles. Completed in July, production figures for the lease are yet not available, but the company gets bragging rights for the longest horizontal well in Texas — at least for now.

Midland oil company CrownQuest Operating came within a 100 feet of Surge Energy's record with a horizontal well on its Hang Nail E lease in Martin County that measured 16,857 feet. Tulsa exploration and production company WPX Energy ranked in third place with a horizontal well of 16,557 feet on

its CBR 22-27 C lease in Loving County.

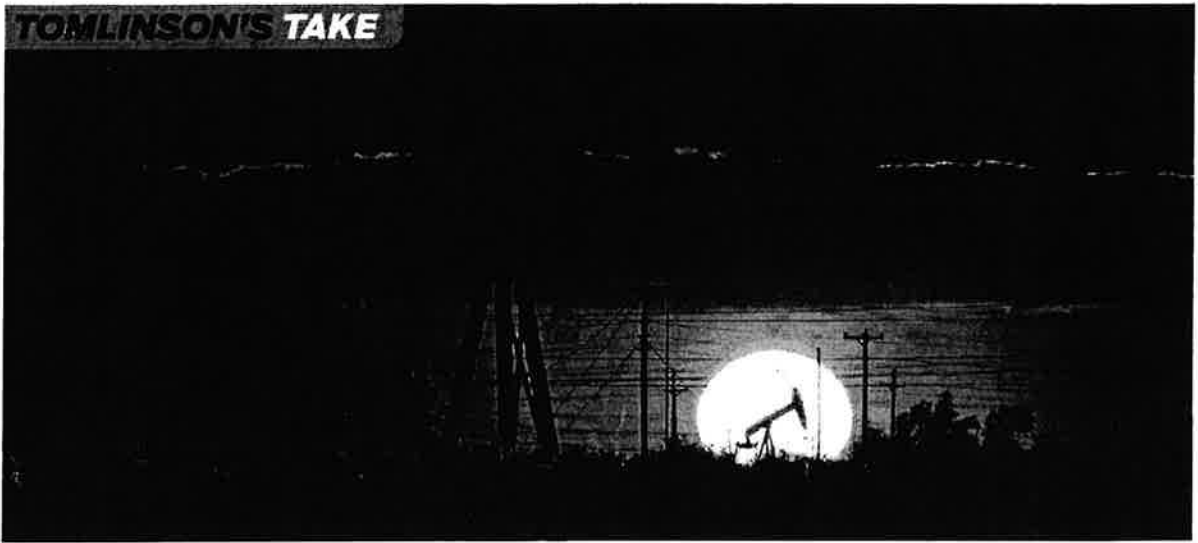
In fifth place, Chesapeake Energy of Oklahoma drilled the only Eagle Ford well among the longest horizontal wells, with a natural gas well that extended 16,020 feet on its PGE Don lease in Webb County.

Irving oil major Exxon Mobil ranked sixth with a lateral that measured nearly 16,000 feet on its LHS Ranch lease in Upton County in the Permian Basin. In ninth place, British oil major BP drilled a horizontal well of 15,833 or about 3 miles on its Titan Gas Unit lease in Angelina County, the only well in the Haynesville shale to make the Top 10 list.

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

Most long horizontal wells drilled in Texas this year run almost 17,000 feet, or more than 3 miles.

TOMLINSON'S TAKE



Jacob Ford / Associated Press

Here's a gift of caution: Beware of grifters lurking in plain sight

Has someone approached you about investing in an oil well? Beware, because just like in the olden days, fraudsters have stolen millions of dollars from investors desperate for higher returns.

In between the feasts and football, the holiday season provides extra time to sit down with our friends and family. It's a great chance to talk about money and finances, which should include a conversation about how to identify a con artist.

Grifters are more common than most people think. They attend church services, join service clubs and play golf at the most exclusive



CHRIS TOMLINSON

Take care when investing in small oil businesses.

courses. They put ads on AM radio. They look and sound authoritative, and they know where people with money gather. They are sharks who infiltrate goldfish bowls.

Con artists tend to target older folks worried about outliving their money, or younger people desperate to escape debt. Since yields on government bonds and savings accounts at historic lows, anyone needing a higher return becomes willing to take higher risks.

One of the riskiest places to invest money is in a small business, and that is especially true of a small oil and gas business. But Michael Patman, director of opera-

tions for Woodland Resources, though, made it sound like child's play.

According to the Woodland website, Patman's bio is impressive. He has 33 years of experience in oil and gas exploration, including stints as CEO of Patman Drilling and Sundance Resources. He's run operations in Asia and South America, the web site said.

Woodland has been sending out emails inviting people to invest in Patman's latest venture drilling new offset wells from the Odd-fellow A-1, an established well in Seminole County, Okla. The company claimed the current well is

producing 38 to 40 barrels a day, and the new offsets will do just as well, producing an annualized return on investment of more than 50 percent.

The offer lasted right up until the Texas State Securities Board served the Fort Worth company with an emergency cease and desist order.

It turns out, Patman Drilling ended in bankruptcy after a judge found him incompetent and appointed a trustee to liquidate the company. The company owed 50 parties more than \$10 million, the board found.

Tomlinson continues on B7



Jon Shapley / Staff photographer

The Texas State Securities Board offers useful resources for investors.

Tomlinson from page B6

Sundance Resources also ended up insolvent, and the court declared that Patman and another executive were liable for breach of contract, common law fraud, statutory fraud and civil conspiracy. The judge ordered Patman to pay damages of \$3 million, the board added.

State Securities Commissioner Travis Iles ordered Woodland Resources to stop soliciting investors and scheduled a formal hearing for next month. Neither Patman nor Woodland responded to an email requesting comment.

Then there is Timeless Protect LLC, an investment firm with offices in Florida and Canada that offers a Cash Back Program that guarantees a "bulletproof" investment. For an 8 percent fee and a 15-year commitment, Timeless will put investors' money in an insured trust that invests in dozens of companies in 30 countries, including 13 oil and gas businesses.

After four years, the company promises a 25 percent return on investment. After eight years,

they will get a 50 percent return and after 15 years, they receive a 100 percent return. But the fine print allows Timeless to change everything at any time under any circumstance, and there is no real protection for the investors' capital, investigators from the Securities Board found.

Iles issued an emergency cease and desist order against Timeless Protect last month because they also failed to reveal who is running the company or where the money is actually invested.

Timeless' tireless promoters, however, provide some clues. Bradley Haycraft, who regularly pitched Timeless on AM radio, has felony convictions for armed robbery and possession of methamphetamine.

Robert Mangiafico Jr. recruited investors through his business, Premier Resources LLC. Securities investigators and Carrollton Police raided his offices Nov. 22 to investigate his claims to ownership of 61 wells that generate a 29 percent annual return on investment.

Mangiafico started Pre-

mier Resources while on parole from a 40-year prison sentence for stealing \$655,000 from four elderly widows, just the latest of six felony convictions, the board said. His sales agents were cold-calling Texas residents for his Premier Resources and Timeless Protects. The company did not return a call seeking comment.

When I describe these investments, the scam is easy to spot. But these guys are excellent salesmen, and enough people give them money to make it worthwhile. Make sure anyone you love knows to get a second opinion and run a background check or at least a Google search before handing over their savings.

The Texas State Securities Board offers useful resources for investors, always do your due diligence: <https://www.ssb.texas.gov/investors>.

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★ OPINION

HOUSTON CHRONICLE • SUNDAY, DECEMBER 15, 2019 • PAGE A33 ★★

EDITORIAL

Don't allow drilling in Texas' national forests, grasslands

Long-term risks to drinking water, environment outweigh short-term gains

A Trump administration proposal to open more than 1.9 million acres of Texas national forests and grasslands to renewed oil and natural gas drilling is a no-brainer for supporters of the shale revolution.

The change would allow oil and natural gas companies to drill more than 1,000 horizontal wells and 500 vertical wells in parts of Sam Houston National Forest, Davy Crockett National Forest, Angelina National Forest, Sabine National Forest, Caddo National Grasslands and LBJ National Grasslands over the next 20 years. The U.S. Forest Service predicts that those 1,500 wells would produce more than 68 billion barrels of oil and more than 4.2 trillion cubic feet of natural gas.

The jobs, royalties, energy independence and boost to the state's economy are all compelling arguments for lifting the Obama-era moratorium on exploration in the areas.

But those rewards come with substantial risks for what is, in the end, a short-term gain.

The forests are part of the Haynesville shale of East Texas and Louisiana. The grasslands are part of the Barnett shale of North Texas. Energy companies had drilled in both areas for years before the Obama administration halted new leases in 2016 in response to pressure from environmentalists and others concerned about the effects of hydraulic fracturing, better known as fracking.

The process involves pumping large amounts of water, sand and chemicals down a well at high pressure to fracture the rock and release the gas or oil trapped in the formations.



Godofredo A. Vasquez / Staff photographer

The drilling change would allow oil and natural gas companies to drill more than 1,000 horizontal wells and 500 vertical wells in parts of Sam Houston National Forest and other state lands.

Fracking has been a significant boost to the U.S. oil and gas industry, making the country a net exporter of oil for the first time in decades. But it also has raised serious concerns about geological and environmental damage.

The Forest Service estimates that the new wells in the Texas forests and grasslands will produce more than 32 billion gallons of wastewater that would have to be recycled or injected underground. That process can increase the risk of earthquakes and contamination — above and below ground.

The Arizona-based environmental group Center for Biological Diversity says the wells would be a threat to wildlife, water quality and air quality in both Houston and Dallas.

The proposal would allow companies to drill thousands of feet under Lake Conroe, the main

source of drinking water for thousands of people in suburban Montgomery County.

Industry officials say that Texas oil and natural gas operators "comply with all state and federal regulatory requirements and adhere to the highest levels of safety and environmental standards" and that the various

forms of extraction, including fracking, can be done safely.

In its report on the proposed changes, the U.S. Forest Service acknowledges that the explosive growth in fracking has triggered a rise in the number of earthquakes — a trend seen in North Texas and, to a much greater degree, in

Oklahoma. The report notes, as many academic studies have confirmed, the increase in quakes is tied not to fracking itself, but to disposal of dirty water that is a byproduct of the fracking process. But for someone dealing with the consequences of earthquakes, whether they were caused by the drilling or by the disposal of wastewater by shooting deep into the ground can seem entirely academic.

Oil and gas companies have made strides in improving the safety and efficiency in their drilling operations, but the risk calculation has grown as we learn more about the long term, and possibly irreversible, damage we are doing to our environment and to our climate.

The push to squeeze every last drop of fossil fuels from the planet is no longer a wise policy choice. It is time to put even more focus on developing alternative forms of energy that will power our economy — and the world's — into the future. That's where the new jobs and new industries will be created. Houston's enormous concentration of energy research and experience should make it ground zero for innovation that will continue the region's transformation from the world's oil and gas capital to its energy capital.

Re-opening our forests and grasslands to drilling is a step in the wrong direction. The risks to our air, water, wildlife and other natural resources are too great and the benefits are too tenuous and fleeting.

The moratorium on new leases for the areas in and around the National Forests and Grasslands of Texas should remain in place.



Houston Chronicle file photo

More drilling in places such as Angelina National Forest could endanger many species, including the eastern wild turkey.

United Way supporters have their say on strategy shift

Regarding "Nonprofits anxious as United Way shifts focus," (Front page, Dec. 7): Girl Scouts has partnered with United Way of Greater Houston and its predecessor organizations since 1922. We value the rigorous standards and resources United Way brings to its partner agency relationships, as well as the opportunities to collectively impact our community.

United Way's financial support has enabled us to serve girls who otherwise may not have access to our services so they can grow into successful, self-sufficient adults.

In order to remain relevant and grow, an organization must continually assess its strengths and challenges and allow innovation to fuel its strategy. I appreciate the transparency of the United Way of Greater Houston's board of directors as it launches its new strategy and works with partner agencies to develop the skills and collaborative resources to continue serving those who need us the most.

Mary Vittek, CEO, Girl Scouts of San Jacinto Council

Regarding "Nonprofits anxious as United Way shifts focus," (Front page, Dec. 7): Budgeting for a nonprofit is always a difficult exercise. Having a relationship with funders that avoids surprises is the hope of every nonprofit agency. The United Way of Greater Houston has always valued its partnership with its funded agencies and has practiced a process of openness and transparency with them and the Houston community. As the wealth gap

continues to expand and charitable giving declines, I appreciate the "heads up" of the United Way's Second Century concept. We must remember that if donations go down, our communities suffer. I encourage the increased financial support of our United Way and embrace the Second Century vision to ensure those already struggling receive the assistance needed to help keep families safe and to give them hope and the skills to self sustain.

Judson Robinson III, President of Houston Area Urban League and former Houston City Council Member

Coastal owners should pay

Regarding "Coastal property owners demand insurance handouts," (B6, Dec. 9): I could not agree more with Chris Tomlinson. It is way past time for those who choose to live in harm's way on the Texas Coast to pay their fair share.

Shame on coastal Texas representatives for supporting such selfish behavior. Many of these folks have so much money that they have two homes, including one on the coast for vacations and rental property. They need to pay-up and not

BIBLE VERSE

I have said these things to you, that in me you may have peace. In the world you will have tribulation. But take heart; I have overcome the world.

John 16:33

stick-up the rest of us!

Brandt Mannchen, Humble

Aiello's majestic quality

Regarding "Danny Aiello, blue-collar character actor, has died," (Houston Chronicle.com, Dec. 13): Danny Aiello had a majestic leadership quality to his work. He always seemed to know what to do next. There was an authority that was both compassionate and sinister. He was certainly one of the great Italian-American actors to appear on the screen.

Paul Bacon, Fort Lauderdale, Fla.

Hit the nail on the head

Regarding "A welcome discussion of the Confederacy," (A33, Dec. 8): Letter writer Julia Purdill hit the nail on the head.

Seems to me that the editorial writers, and folks of your mindset, are just looking for something to complain about. I dare say that unless you happen to be a history buff, genealogist, or someone of idle

curiosity, no attention whatsoever would even be paid to these monuments or what they might stand for. Most of the time folks walk by them without even giving them a glance or any thought at all.

Slavery was wrong, but it is long gone!

Robert LeBoeuf, Angleton

Senate inaction blamed

Regarding "Senate Inaction of VAWA," (A12, Dec. 12): Sen. John Cornyn blames "impeachment mania" for the stalled Violence Against Women Act bill. I must be missing something because 100 percent of the impeachment process thus far has been in the House, a body that passed the bill.

The Senate on the other hand, where the bill has stalled, has had 0 percent involvement in the impeachment process. That is unless you count parroting disproved conspiracy theories and the obfuscation of known facts about the President's actions.

Tom Benzala, Sugar Land

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OIL OUTLOOK

OPEC+ output cuts likely won't prevent crude surplus



Eric Gay / Associated Press

A cut in U.S. shale production could slash supplies, though production in Norway, Brazil and Guyana likely will grow.

Inventories could grow by 700,000 barrels a day during the first quarter of next year

By Grant Smith

BLOOMBERG NEWS

Global oil markets still face a surplus next year even if OPEC and its partners deliver newly announced production cuts in full, the International Energy Agency said.

Oil inventories may accumulate by 700,000 barrels a day in the first quarter even if the Organization of Petroleum Exporting Countries and its allies implement the entire cutback of 2.1 million barrels a day agreed last week, the IEA said in a monthly report. Supplies outside the group, led by U.S. shale, continue to grow much faster than world demand.

While crude prices climbed to a 12-week high in New York after OPEC+ surprised traders with their latest intervention, they remain below \$60 a barrel amid concern that the additional output cuts still won't be enough. The U.S. briefly became a net exporter of oil three months ago, underscoring the challenge OPEC faces from America's shale boom.

Stubborn surplus

"The market has done its



Joe Klamar / AFP via Getty Images

Efforts by Saudi Minister of Energy Prince Abdulaziz bin Salman al-Saud won't be enough to head off an oil surplus.

The extra OPEC+ curbs would translate into an actual reduction from current levels of 532,000 barrels a day, the IEA said. Implementing that fully may be a tall order, as some producers like Iraq and Nigeria have barely made the cutbacks they promised to enact this year.

A change to the terms of the OPEC+ agreement, which now exempts light oil known as condensate produced by the non-OPEC members, could also undermine the coalition's efforts. Condensate production in those countries, such

Saudi Arabia, OPEC's biggest member, has already made considerable progress in fulfilling its output commitments, including additional voluntary reductions announced at the close of the OPEC meeting on Dec. 6. The kingdom pumped 9.9 million barrels a day in November, the IEA estimated.

"The overall effectiveness of the OPEC+ agreement depends on the willingness of all its parties to fully comply, including those whose compliance so far has been less rigorous," the agency said.

during the third quarter, expanding by 900,000 barrels a day, according to the report. That's almost twice the pace seen in the second quarter.

Demand is set to accelerate further in 2020, when it will expand by 1.2 million barrels a day — about 1.2 percent — to average 101.5 million barrels a day, the IEA predicts.

Silver lining

OPEC may also be reassured that supply from some of its rivals, such as the U.S., Brazil and Ghana, is increasing less quickly than the IEA previously forecast. The agency lowered its projections for non-OPEC production growth in 2020 by about 200,000 barrels a day.

Yet supplies outside OPEC will nonetheless expand much more vigorously than world demand, swelling by 2.1 million barrels a day next year as a new tide of American shale oil is joined by offshore projects once considered unviable in an era of constrained prices, from Brazil, Norway and Guyana.

As a result, the surplus in global markets may swell to as much as 1 million barrels a day during the second quarter, the

MARKETPLACE

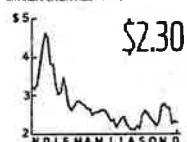
Light, sweet crude
Dollars per barrel:



	12/13	12/6	Year ago
Mer. light	\$60.07	\$59.20	\$52.58
Spot sour	\$60.32	\$59.70	\$44.08

Natural gas

Dollars per million
British thermal units:

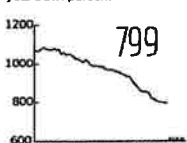


	12/13	12/6	Year ago
Mer.	\$2.30	\$2.334	\$4.12
Henry Hub	\$2.250	\$2.300	\$4.310

Source: Bloomberg

Rig count

U.S. drilling activity was unchanged at 799 rigs. Drilling in Texas was unchanged at 400 rigs. The offshore rig marketed utilization rate in the Gulf was 76.2 percent, down from last year's 81.4 percent.



	12/13	12/6	Year ago
Rigs drilling	400	400	532
Texas	22	23	33
Colorado	56	56	64
New Mexico	102	103	105
North Dakota	50	50	50
Oklahoma	50	50	140
Pennsylvania	25	24	46
Wyoming	27	29	35
Canada	153	138	174

Source: Baker Hughes

	12/13	12/6	Year ago
U.S. Gas	137	132	184
U.S. Horizontal	698	712	929

Source: IHS Markit

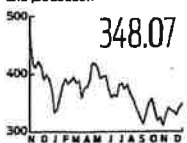
Marketed rigs under contract

	12/13	12/6	Year ago
U.S. Gulf	32	32	35

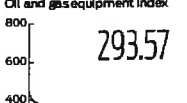
Source: IHS Markit

S&P's energy stock indexes

Oil and gas exploration and production



Oil and gas equipment index





own sums and the reaction to oil's new deal has so far been muted," said the Paris-based agency, which advises most of the world's major economies.

as Russia and Azerbaijan, has the potential to increase from its current level of about 1.5 million barrels a day, according to the IEA.

OPEC and its partners are getting some solace from a recent recovery in oil demand. Global consumption increased at the strongest rate in a year

agency said. That poses a considerable challenge for the cartel and its allies, who will meet again in early March to consider their next move.

PRODUCTION

Natural gas boom fizzles as a U.S. glut sinks sector's profits

By Clifford Krauss
NEW YORK TIMES

HOUSTON — A decade ago, natural gas was heralded as the fuel of the future. In shale fields across the country, hydraulic fracturing uncorked a lucrative new source of supply. Energy giants like Exxon Mobil and Chevron snapped up smaller companies to get in on the action, and investors poured billions of dollars into export terminals to ship gas to China and Europe.

The boom has given way to a bust. A glut of cheap natural gas is wreaking havoc on the energy industry, and companies are shutting down drilling rigs, filing for bankruptcy protection and slashing the value of shale fields they had acquired in recent years.

Chevron, the country's second-largest oil and gas giant after Exxon, said Tuesday that it would write down \$10 billion to \$11 billion in assets, mostly shale gas holdings in Appalachia and a planned liquefied natural gas export facility in Canada. The move was an energy

company's clearest acknowledgment yet that the industry has been far too optimistic about the prospects for natural gas.

While cheap natural gas continues to take market share from coal in the electricity sector, supply of the fuel has far outstripped demand. As a result, once-booming gas fields in Arkansas, Louisiana and Texas have become quiet backwaters. The number of gas rigs deployed nationwide has dropped to 132, from 184 last year.

"In the short term the gas market is oversupplied and is likely to remain so for the next few years," said Andy Brogan, oil and gas global sector leader at EY, the firm formerly known as Ernst & Young. "It's a cyclical business, and we're at the bottom of the cycle."

Some analysts said the gas slump could persist for some time because the cost of wind and solar energy has tumbled in recent years, making those renewable sources of energy more attractive to power producers. And while gas exports are climbing, growing production of the fuel in Qatar,



Michael Stravato / New York Times

Chevron said Wednesday that it will write down \$10 billion to \$11 billion in assets, mostly shale gas holdings in Appalachia.

Russia and Australia threatens to drive down international prices over the next few years.

Nowhere are the declining fortunes of natural gas more in evidence than in Appalachia, where the Marcellus field centered in central and western Pennsylvania was once viewed as the most promising in North America. With

gas prices slashed nearly in half from a year ago, the number of drilling rigs operating in Pennsylvania has dropped to 24, from 47, over the last 12 months.

That is a far cry from the picture Chevron painted when it acquired Atlas Energy almost exactly 10 years ago for \$3.2 billion, while assuming \$1.1 billion in debt, ce-

menting its foothold in southwestern Pennsylvania. At the time, George L. Kirkland, then Chevron's vice chairman, predicted that the "strong growth potential of the asset base and its proximity to premier natural gas markets make this targeted acquisition a compelling investment."

Other energy companies have also acknowledged losses, though not to the same extent. Exxon Mobil wrote down the value of its American natural gas assets by \$2.5 billion in recent years after buying the natural gas producer XTO Energy for more than \$30 billion in 2010.

"Natural gas is in the tank," said Patrick Montalban, president of Montalban Oil & Gas Operations. "We're looking at a project right now of over 200 wells in Montana that are for sale, but they are uneconomic. Not only are the wells uneconomic, the gathering of the gas is uneconomic."

American natural gas inventories are about 19 percent higher than a year ago, according to the Energy Department.