



**Texas
Independent
Producers and
Royalty Owners
Association**

FORMER U.S. VICE PRESIDENT DICK CHENEY TO HEADLINE TIPRO'S ANNUAL CONVENTION

The Texas Independent Producers & Royalty Owners Association (TIPRO) is excited to announce that former U.S. Vice President Dick Cheney will provide the keynote presentation at TIPRO's 71st Annual Convention in February.

Across four decades of public life, Dick Cheney has served at the highest levels of government during some of the most critical days in

modern American history. Vice President Cheney was inaugurated for the first of two terms on January 20, 2001, serving under the administration of President George W. Bush. In the eight eventful years of the Bush presidency, the vice president was best known for his involvement in national security matters following the terrorist attacks of September 11, 2001. Cheney has been recognized by many as the most powerful and consequential vice president in American history, and worked side by side with George W. Bush to keep Americans safe from terrorist attacks for seven and a half years following 9/11. Prior to taking office as vice president, Cheney worked in the private sector through most of the 1990s as chief executive officer of the Halliburton Company in Dallas, Texas.

Since leaving the White House in January 2009, Cheney returned to his home state of Wyoming. In 2011, Cheney released a memoir, *In My Time*. Later, in 2013, he published *Heart: An American Medical Odyssey*, and his latest book *Exceptional: Why the World Needs a Powerful America*, co-written with his daughter Elizabeth Cheney, was released September 1, 2015.

TIPRO's annual meeting featuring former Vice President Dick Cheney will be held on February 27-28, 2017, at the Sheraton Austin Hotel by the Capitol, in Austin, Texas. To register to attend the association's convention, please see the registration form on page 7 of this newsletter or call TIPRO at (512) 477-4452.



CHRISTI CRADDICK BECOMES NEW CHAIRMAN OF THE TEXAS RAILROAD COMMISSION

Christi Craddick was unanimously elected as chairman of the Texas Railroad Commission (RRC) during the commission's open meeting held December 6th in Austin. Craddick, who has served as commissioner of the oil and gas agency since 2013, assumes the leadership position from RRC Commissioner David Porter, who did not seek a new term in office and will be finishing his tenure at the RRC later this month.

"We are in a pivotal time for enormous energy growth in the United States, and particularly in Texas," Chairman Craddick said. "Through innovative regulatory oversight, the RRC has been a thought leader for energy states in keeping the public and environment safe. I am honored to serve as chairman as we continue to drive Texas and the nation forward during this important time for American energy development."

Chairman Craddick has outlined a number of priorities and initiatives she'll pursue after the start of the new year, including:

- Meetings with Texas operators to outline a five-year plan that will allow us to better understand where the industry is headed technologically to ensure the agency employs best practices that keep pace with industry innovation.
- Sessions with RRC district office staff throughout the state to ensure the commission is consistent in the application of agency rules and enforcement actions carried out at the district level.
- Input from staff involved in day-to-day operations on potential ideas for cost saving and efficiency measures.
- Tours of Eagle Ford Shale and Permian Basin regions throughout the spring to meet with local leaders about the effect the downturn has had in their communities to understand regulatory impacts on industry and resulting economics within those communities during this time.

Chairman Craddick also has emphasized that the RRC will focus on hiring high-quality staff and place an emphasis on work force recruitment, development, and retention. "Next year, we will enhance the development of our technical experts, including, cross training for inspections and permitting, updated training for oil and gas inspectors and succession planning within each agency division," she said. And with the state's next legislative session just around the corner, Chairman Craddick pledged that the commission "will make our case for necessary consistent revenue sources for the agency as well as immediate funding so that we are able to fully carry out the agency's important functions."

PRESIDENT'S MESSAGE

TIPRO Members-

As we conclude 2016 and look to the start of a new year, it seems clear that a new dawn for American energy is on the horizon. While challenges will continue to exist, Texas oil and gas producers and royalty owners have much to be optimistic about for the year to come.

Albeit a slow recovery, after two years of depressed commodity prices, we are starting to see a rebound, and drilling activity appears to be increasing in select areas. Thanks to the milestone agreement by OPEC several weeks back to cap the cartel's production levels, we have already seen a rally in prices, and as other key non-OPEC producers scale back their oil output as well, the world's oversupply of oil inventory will ease and market conditions will improve.

In fact, assuming that OPEC and its partners stick to their agreement to cut oil production next year, the International Energy Agency said this week it expects the global crude oil glut will start disappearing in the first half of 2017, much earlier than it previously predicted. This would be further good news for the U.S. oil and gas industry.

Meanwhile, in January, we can look forward to welcoming a new slate of federal leaders on Capitol Hill under the incoming Trump Administration, ending the eight year assault against the oil and gas industry we've seen from the Obama Administration. This transition in cabinet posts in Washington D.C. will present renewed opportunity to overhaul the nation's regulatory environment and reform national policies in support of a strong energy future for America. We can be confident that President-elect Trump's selection of cabinet members like Rex Tillerson, Rick Perry, and Scott Pruitt will advance the American economy, encourage job creation and propel domestic energy development in the United States.

And back in Texas, on January 10, 2017, the state legislature will kick off the 85th Regular Legislative Session in Austin. Hundreds of bills have already been pre-filed for consideration by the Texas lawmakers, with more legislation expected leading up to the start of session next month. TIPRO stands prepared to advocate on behalf of our membership to promote sound energy policies in Texas and continue to protect the ability to explore and produce oil and natural gas in the Lone Star State.

For these reasons and more, without doubt, 2017 will be a big year for the E&P sector. As such, I want to take this opportunity to also encourage all of our members to register to attend TIPRO's upcoming 71st Annual Convention. The two-day meeting will be held February 27-28 in Austin, and will feature a strong line-up of respected industry leaders and experts. Sticking with tradition, our association also will be hosting TIPRO's capitol call-up meetings in conjunction with the convention, allowing members the opportunity to meet directly with Texas legislators and their staff on issues that matter most to you and your business. I hope you will consider participating in this important TIPRO event.

Sincerely,

Ed Longanecker



Ed Longanecker

REPORT: U.S. ENERGY SECURITY CONTINUES TO IMPROVE

America's energy security is at its strongest point in 20 years, the U.S. Chamber Institute for 21st Century Energy reported in its latest *Index of U.S. Energy Security Risk*, which assesses the nation's energy security risk by incorporating the most recent historical data and updated forecasts.

According to the Institute for 21st Century Energy, in 2015—the most recent year available—risk dropped to the lowest level since 1996. The biggest improvements within the Index relate to decreasing foreign imports, as the United States has successfully increased domestic production of oil and gas from America's shale formations.

"It is not a coincidence that American energy security has shown vast improvements at the same time that America's innovative energy industry was able to ramp up oil and gas production," said Karen Harbert, president and CEO of the U.S. Chamber's Institute for 21st Century Energy. "Our recent Energy Accountability Series quantified just how dramatic the impact of the energy renaissance has been. Without it, America would have 4.3 million fewer jobs and consumers would be paying 31 percent more for electricity and 43 percent for gasoline."

The Institute for 21st Century Energy does caution in the new report that volatile oil prices can create unstable market conditions, which could lead to greater energy security risks for the United States in the future. Analysts add that electricity capacity margins—the amount of unused power capacity—have also declined, increasing vulnerability of America's electric grid in the event of a disruption.

TIPRO Calendar of Events

<p>JANUARY 11, 2017 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>FEBRUARY 8, 2017 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>FEBRUARY 15-17, 2017 HOUSTON — Annual NAPE Summit, George R. Brown Convention Center. For info, call: (817) 847-7700.</p>	<p>FEBRUARY 27-28, 2017 AUSTIN — TIPRO's 71st Annual Convention, Sheraton Hotel by the Capitol. For info, call: (512) 477-4452.</p>
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PRESIDENT-ELECT TRUMP TAPS CANDIDATES FOR KEY CABINET POSITIONS

In December, President-elect Donald J. Trump announced his nominees for several leadership positions to serve under his Administration.

Rick Perry has been selected by Trump to run the U.S. Department of Energy. As the former governor of Texas – the top oil and gas producing state in the nation - Perry understands the importance of expanding domestic energy development while at the same time balancing protection of America's natural resources. U.S. Senator John Cornyn (R-Texas) praised Perry's nomination for the role, saying, "Under Governor Perry's leadership, Texas showed the country how lower taxes and sensible regulations can boost energy production and create jobs. As a Texan, Governor Perry understands the importance of empowering an all-of-the-above energy strategy that encourages innovation and spurs growth from the ground up."

In addition, Oklahoma Attorney General Scott Pruitt has been tapped as the next administrator of the U.S. Environmental Protection Agency (EPA). Of the appointment, Texas Governor Greg Abbott commented, "President-elect Trump's selection of Scott Pruitt as administrator of the EPA proves he is serious about creating jobs and rolling back the burdensome regulations implemented by the Obama Administration. As Attorneys General, Scott and I sued the EPA on several occasions as it continually ignored the Constitution and sought to implement rules, fees and regulations without congressional oversight or approval. I look forward to working with Scott as he brings common-sense policies to a federal agency that has been one of the biggest job-killers in the Obama Administration."

President-elect Trump also will nominate Rex Tillerson, chairman and CEO of ExxonMobil, to serve as secretary of the United States Department of State. "Rex Tillerson's career is the embodiment of the American dream. Through hard work, dedication and smart deal making, Rex rose through the ranks to become CEO of ExxonMobil, one of the world's largest and most respected companies," said Trump. "His tenacity, broad experience and deep understanding of geopolitics make him an excellent choice for secretary of state. He will promote regional stability and focus on the core national security interests of the United States. Rex knows how to manage a global enterprise, which is crucial to running a successful State Department, and his relationships with leaders all over the world are second to none." A native of Wichita Falls, Texas, Tillerson earned a Bachelor of Science degree in civil engineering at The University of Texas at Austin before joining Exxon Company, U.S.A. in 1975 as a production engineer. In 2004, Tillerson was elected president of the corporation and member of the board of directors for ExxonMobil, and two years later, on January 1, 2006, assumed his current position as chairman and CEO of the oil and gas company.

Meanwhile, Montana Representative Ryan Zinke is President-elect Trump's choice for secretary of the Interior. Each of the federal positions appointed by the president described above will require confirmation of the U.S. Senate.

EPA RELEASES FINAL REPORT ON IMPACTS OF HYDRAULIC FRACTURING TO DRINKING WATER

Five years in the making, the U.S. Environmental Protection Agency (EPA) has released its final scientific report over the potential impacts from hydraulic fracturing activities on drinking water resources. The report was completed at the request of Congress, and is organized around activities involved in the hydraulic fracturing water cycle, investigating their potential to impact drinking water.

After comprehensive study, the environmental agency said it found scientific evidence that hydraulic fracturing activities could impact drinking water resources under some circumstances, yet at the same time EPA officials also acknowledged data gaps and uncertainties had limited EPA's ability to fully assess the potential impacts on drinking water resources both locally and nationally. "Because of these data gaps and uncertainties, as well as others described in the assessment, it was not possible to fully characterize the severity of impacts, nor was it possible to calculate or estimate the national frequency of impacts on drinking water resources from activities in the hydraulic fracturing water cycle," noted the EPA.

Dr. Thomas A. Burke, science advisor and deputy assistant administrator of EPA's Office of Research and Development, said in a statement, "The value of high quality science has never been more important in helping to guide decisions around our nation's fragile water resources. EPA's assessment provides the scientific foundation for local decision makers, industry, and communities that are looking to protect public health and drinking water resources and make more informed decisions about hydraulic fracturing activities. This assessment is the most complete compilation to date of national scientific data on the relationship of drinking water resources and hydraulic fracturing."

In the EPA's initial draft assessment, released in 2015, researchers, academics and specialists originally had resolved that domestic hydraulic fracturing activities have not caused "widespread, systemic" problems with drinking water. In the EPA's final report, however, the 'no widespread, systemic impact' conclusion was removed by the EPA. Officials reportedly abandoned the original determination after "EPA scientists concluded that the sentence could not be quantitatively supported."

Energy executives criticized the findings from the EPA, reaffirming that hydraulic fracturing remains a consistently safe process that does not impact groundwater resources. A long list of well-respected government and research entities to-date have also repeatedly found that fracking is not a credible threat to drinking water. In an interview this week with the *Midland Reporter-Telegram*, Railroad Commission Chairman Christi Craddick said much of the EPA's report on hydraulic fracturing was "politically motivated."

According to the EPA, final conclusions in the new report were based upon review of over 1,200 cited scientific sources; feedback from an independent peer review conducted by EPA's Science Advisory Board; input from engaged stakeholders; and new research conducted as part of the study. The final assessment, 666 pages total in length, may be used in the future to guide policy decisions by federal, state, tribal, and local officials; industry; and communities.

For a copy of the EPA's new study, visit www.epa.gov/hfstudy.

RRC COMMISSIONERS VOTE TO PUBLISH AMENDMENTS TO SEVERAL RULES

At the December 6th Railroad Commission meeting, the commissioners approved the publication of three sets of amendments to rules:

Amendments to 16 Texas Administrative Code 12.309 relating to terms and conditions of bonds: The current rule prohibits self-bonding for applicants who have been subject to bankruptcy proceedings within five years preceding the date of the application. The amendments as approved would remove that provision because of a conflict with Section 525 of the federal bankruptcy code. The proposed amendments will appear in the December 23rd edition of the Texas Register for a 30-day comment period.

Amendments to 16 Texas Administrative Code 20.81, relating to enhanced contract monitoring: The RRC voted to publish amendments to the rules in order to comply with requirements from Senate Bill 20 from the 84th Legislative Session on contracting. The proposed amendments would list the factors that the commission will use to assess each contract and determine whether enhanced contract monitoring is necessary. The proposed amendments will appear in the December 23rd edition of the Texas Register for a 30-day comment period.

Amendments to 16 Texas Administrative Code 2.1, 7.315, 8.210, 8.301, and 18.11: The amendments would simply correct outdated references to Railroad Commission webpages and email addresses. The proposed amendments will appear in the December 23rd edition of the Texas Register for a 30-day comment period.

TEXAS RAILROAD COMMISSION ANNOUNCES CHANGES TO OIL AND GAS FORMS

As part of the agency's Texas Oilfield Relief Initiative, spearheaded by Railroad Commission (RRC) Chairman Christi Craddick, the RRC will discontinue several oil and gas forms, on or after January 1, 2017. After being identified as obsolete or unnecessary, TIPRO members should be advised that the following forms will be discontinued by the RRC:

- Form C-1, *Carbon Black Plant Report*
- Form C-2, *Application for Permit to Operate a Carbon Black Plant*
- Form G-9, *Gas Cycling Report*
- Form GT-3, *Monthly Geothermal Gatherer's Report*
- Form MD-1, *Optional Operator Market Demand Forecast for Gas Well Gas in Prorated Fields*
- Form R-4, *Gas Processing Plant Report of Gas Injected*
- Form R-7, *Pressure Maintenance & Repressuring Plant Report*

According to the commission, "these forms are not referenced in RRC enabling statutes or RRC rules and either are no longer required to be filed with the RRC or the information collected on these forms is not necessary to the RRC's regulatory functions. Discontinuing the forms will reduce regulatory and administrative burdens on the oil and gas industry and RRC staff."

The RRC also has adopted revisions to Form G-10, *Gas Well Status Report*, for use on or after January 1, 2017. The form revisions will adjust the methodology regarding deliverability testing requirements for gas wells to provide an alternative method for determining shut-in well head pressure. Changes to Form G-10 conform to 16 Texas Administrative Code §3.28 [Statewide Rule 28(a)].

EPA PURSUES INFORMATION COLLECTION REQUEST FOR NATURAL GAS STAR METHANE CHALLENGE

The U.S. Environmental Protection Agency (EPA) is soliciting public comments for specific aspects of its proposed Information Collection Request (ICR) relating to the agency's Natural Gas STAR Methane Challenge Program. The voluntary program was launched in March 2016 to encourage oil and natural gas companies to go above and beyond existing regulatory action to make meaningful and transparent commitments to yield reductions in methane emissions. Building upon the agency's established Natural Gas STAR Program, the Methane Challenge Program is considered as an integral part of the EPA's — and the Obama Administration's — ongoing initiative to reduce air emissions in the United States and address climate change.

Pursuant to section 3506(c)(2)(A) of the Paperwork Reduction Act, the EPA now is seeking public comments and information from stakeholders to enable it to: (i) evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (ii) evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used; (iii) enhance the quality, utility, and clarity of the information to be collected; and (iv) minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses.

The EPA will consider the comments received and amend the ICR as appropriate. The final ICR package will then be submitted to the Office of Management and Budget (OMB) for review and approval. At that time, the EPA will issue a notice in the Federal Register to announce the submission of the ICR to OMB and the opportunity to submit additional comments to OMB.

Comments must be submitted on or before February 13, 2017. To see the EPA's notice published on December 14th in the Federal Register, visit <http://bit.ly/2hmFwSx>.

TEXNET RELEASES REPORT ON SEISMIC MONITORING AND RESEARCH IN TEXAS

During the last legislative session in Texas, state lawmakers appropriated \$4.471 million to The University of Texas at Austin's Bureau of Economic Geology (BEG) to develop and manage a new earthquake monitoring system in Texas and conduct research into understanding seismic events across the state. Of the funding approved by the state legislature, \$2.9 million was directed to the BEG to design and implement the TexNet Seismic Network for the purpose of measuring earthquake activity and reporting on the locations and magnitudes of the events. The remaining \$1.571 million was dedicated to researching why the earthquakes, both natural and potentially human-induced, are occurring. The 84th Legislature also specified under the funding legislation - contained in House Bill 2 - that a progress report should be delivered to the governor and legislative leaders discussing (1) how the money has been and is being used, (2) data-collected on earthquakes, (3) the ongoing cost of operating TexNet, and (4) preliminary reservoir modeling (and sub-surface analysis) results. This report detailing the latest updates on seismic monitoring and research in Texas was published on December 1, 2016.

Highlights from the report include:

- When fully installed in 2017, the TexNet monitoring program will add 22 permanent, high-quality seismic monitoring stations to the 18 existing stations in Texas, providing a robust network for monitoring seismicity across the state. In addition, 36 portable stations, each with the added ability to measure ground motion, will be used to monitor ongoing earthquake sequences such as those that have occurred in the Dallas–Fort Worth area in the last few years. As of October 31, 2016, just over 50 percent of the \$2.9 million budget for this activity has been spent or accrued. It is anticipated that the full spend-out of allocated funding will occur by the end of August 2017.
- Additional funding was provided by the legislature to initiate a portfolio of research projects to characterize seismicity throughout Texas; to understand its causative mechanisms; and to use TexNet data and future research products to help regulators, policy makers, planners, resource developers, and others to develop strategies for mitigation. As of October 31, 2016, 60 percent of the appropriated funds have been spent or are contractually obligated. With recruiting and staffing having been completed, the remaining 40 percent of the funds are on pace to be spent by the end of August 2017.
- TexNet's catalog assessment of seismic events in Texas will become publicly available in early 2017.
- BEG estimates that operation and maintenance of TexNet for the September 2017 to August 2019 biennium will require an appropriation of \$3.4 million from the state of Texas, stemming from the upcoming 85th Legislative Session. Approximately \$700,000 per year will be needed in funding for network operations and maintenance, and \$1.0 million year is required for respective research.

Research associated with this program is reviewed by the TexNet Technical Advisory Committee (TAC), which was appointed in March of 2016. TAC members, joined by other TexNet research leaders, meet regularly to discuss network implementation, research strategies and tactics, and use of funds.

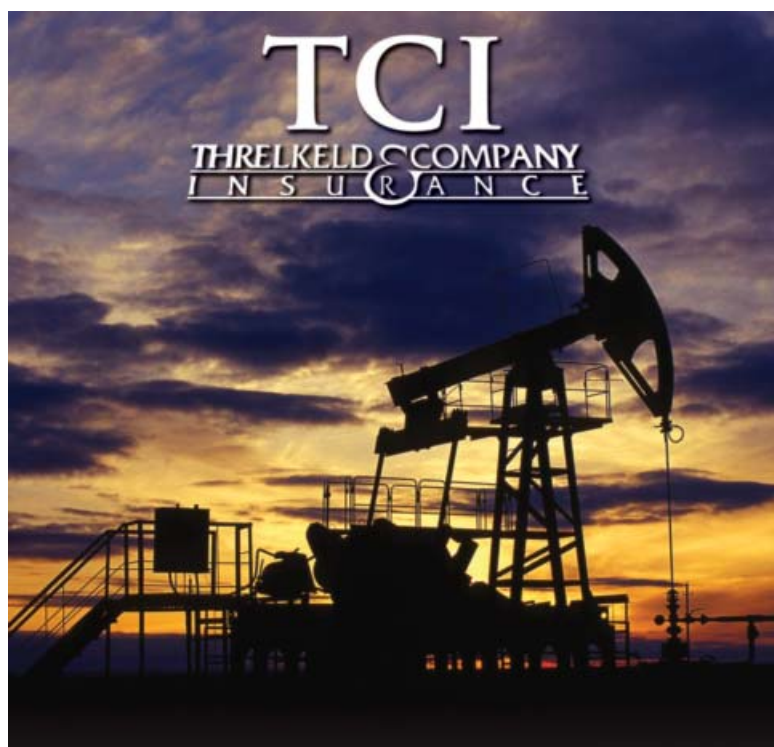
“Through the establishment of the TexNet Seismic Network and a portfolio of multiyear and ambitious research projects, the state of Texas has positioned itself to be a leader in the study of seismicity, which will lead to stronger safeguards for its citizens and its infrastructure. We anticipate that by 2019, sufficient earthquake data from TexNet will be available to fully support subsurface characterization and modeling.”

TIPRO members interested in learning more may download the complete report by visiting the following link: <http://bit.ly/2hKnc6E>.

IN TIME FOR THE HOLIDAYS, TIPRO MEMBER HESS CORP. DELIVERS CHEER TO KIDS IN NEED

In partnership with Toys for Tots, TIPRO member company Hess Corporation announced that this year the company will donate 1,500 of its 2016 Hess toy trucks to underprivileged children in Texas. The toys will be delivered to the Toys for Tots distribution center in Lubbock.

“The Hess Toy Truck has been a holiday tradition since 1964,” said Mark Hamilton, manager of wells and plant operations, Seminole, for Hess Corporation. “We’re pleased to partner with Toys for Tots to help brighten the holiday season for families in need in our community.”



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*Plan to join TIPRO
for the association's
annual meeting
February 27-28
in Austin, Texas.
During the association's
2017 conference, hear
directly from
state officials,
industry regulators and
oil and gas executives
to learn the latest on
opportunities and challenges
facing independent
producers and royalty
owners in the
Lone Star State.*





TIPRO'S 71ST ANNUAL CONVENTION

REGISTRATION FORM

MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

MEMBER - FULL REGISTRATION: \$495

SPOUSE - FULL REGISTRATION: \$325

EVENT-SPECIFIC TICKETS:

TUESDAY-ONLY BADGE: \$395

NON-MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

NON-MEMBER - FULL REGISTRATION: \$695
(REGISTRATION INCLUDES 1 YEAR REGULAR TIPRO MEMBERSHIP)

NON-MEMBER SPOUSE - FULL REGISTRATION: \$475

EVENT-SPECIFIC, NON-MEMBER TICKETS:

TUESDAY-ONLY BADGE: \$595



Have special dietary needs or other considerations?
Please contact TIPRO staff at (512) 477-4452.

ATTENDEE INFORMATION

Name of Attendee: _____

Company: _____

Address: _____

City/State/Zip Code: _____

Phone: _____ Fax: _____

E-mail: _____

Registered Spouse: _____



PAYMENT INFORMATION

Total: _____ Payment Method: VISA MASTERCARD AMEX CHECK NO: _____

Print Name: _____ Company: _____

Billing Address: _____

Credit Card No.: _____ Exp. Date: _____

Signature: _____ CID: _____

CANCELLATION POLICY

In order to receive a refund, TIPRO must be notified of your cancellation no later than
Friday, February 17, 2017.

Return registration form to TIPRO at: 919 Congress Avenue, Suite 1000, Austin, Texas 78701 or fax to (512) 476-8070.
Registration forms must be accompanied by payment.



*From your leading
oil and gas association,
Tipro wishes
you and your family
happy holidays and
a prosperous new year!*



THE TIPRO TARGET



TIPRO
**Texas Independent
Producers &
Royalty Owners
Association**

With more than 3,000 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

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