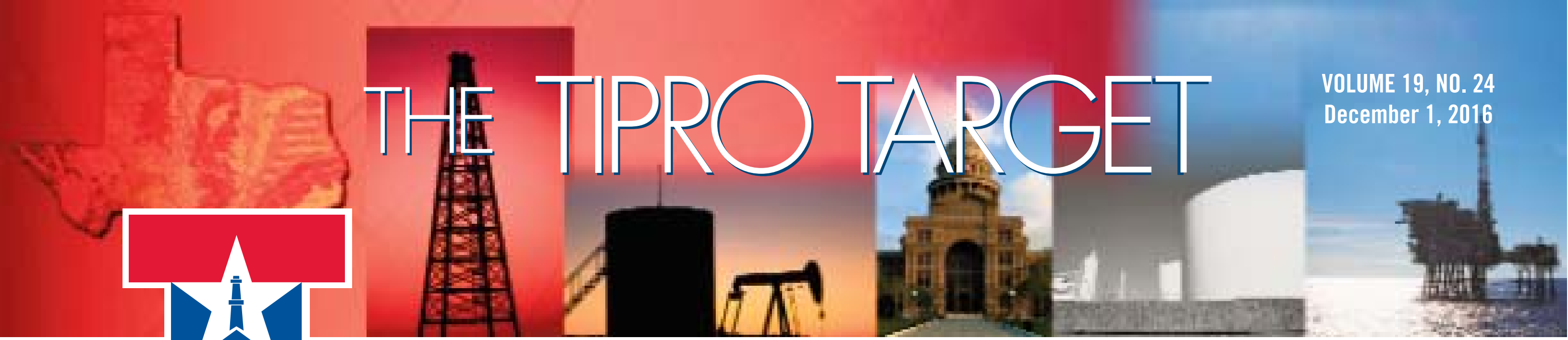


THE TIPRO TARGET

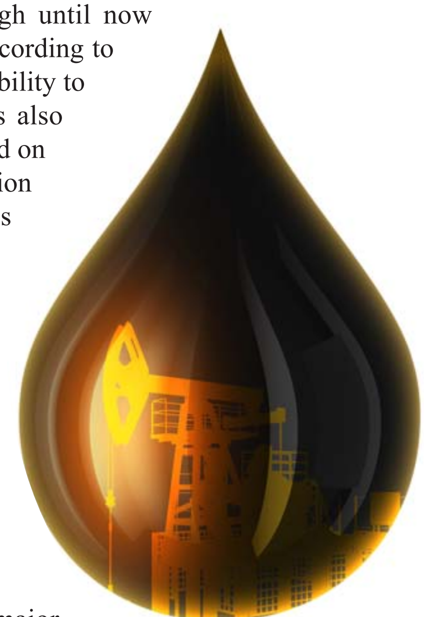
VOLUME 19, NO. 24
December 1, 2016

TIPRO
Texas Independent Producers and Royalty Owners Association

OPEC BENDS TO GLOBAL PRESSURES, STRIKES AGREEMENT TO CUT OIL PRODUCTION

For the first time in eight years, delegates from the Organization of the Petroleum Exporting Countries (OPEC) have finally reached an agreement to cut total oil production by 1.2 million barrels a day from the current 33.6 million barrels of oil produced daily by OPEC, in efforts to lift oil prices and boost market conditions. The deal was successfully reached during a meeting held amongst some of the world's top oil producers on Wednesday, November 30th in Vienna.

The 14-nation cartel has discussed proposals to lower total production for months, though until now OPEC participants had continuously failed to reach a consensus on curbing production output. According to media reports, the agreement was unanimous after Indonesia was suspended from OPEC for its inability to agree to the production cut. The deal will be contingent upon other key non-OPEC producers also agreeing to cut production by 600,000 barrels a day. Russian Energy Minister Alexander Novak said on Wednesday that as part of an agreement struck with OPEC, Russia will join in the global production cuts as well, already commiting to "gradually" reduce Russia's production output by 300,000 barrels per day the first half of next year. The new OPEC accord begins in January, and lasts for six months. The agreement may also be extended another six months through the second half of 2017 if OPEC producers agree to do so next year.



News of the milestone deal from OPEC sparked a rally in oil prices on Wednesday, with the international benchmark for oil rising to nearly $50 a barrel, increasing almost 9 percent. In fact, U.S. oil prices saw their biggest dollar gain in more than seven years as a result of the OPEC agreement.

In spite of the jump in oil prices, some analysts have warned that, in the long-term, an agreement by OPEC to limit production will not go far enough to alleviate market pressures from oversupply of crude oil inventory. A boost in oil prices could be short-lived, depending on a number of factors, economists foretell.

Meanwhile, other experts have indicated that the move by OPEC could prompt other major crude exporters outside the cartel to follow suit, and overall, is positive for the oil industry.

AS SESSION NEARS, TEXAS LEGISLATIVE COMMITTEE RELEASES INTERIM REPORT

In mid-November, the Senate Committee on Natural Resources and Economic Development submitted its complete interim report to Texas Lieutenant Governor Dan Patrick, as the state's next legislative session approaches.

A year ago, in the Fall of 2015, committee members were charged with conducting a thorough and detailed study of a number of important issues and asked to prepare recommendations as to how the state may address problems or alleviate issues identified. Specifically, these issues pertained to: challenges to implementation of federal environmental regulations, funding of the Texas Emission Reduction Plan (TERP), economic development incentives, expedited permitting, oilfield theft, and electricity issues. During the interim session, the committee met in Austin on three occasions to consider and review each of the issues in detail.

Amongst the formal recommendations that have been put forth by committee members, officials have advised the 85th Legislature to fully fund and support the Attorney General's office in its ongoing battles against overreach by the U.S. Environmental Protection Agency (EPA) and other federal agencies. In cases where challenged federal regulations cannot be defeated in the court system, the committee resolved that the state should attempt to comply with federal rules using the means that will be the least disruptive and most cost-effective to Texans.

With regards to oilfield theft, the committee found the problem is widespread across Texas and is damaging the state economy. The committee has recommended that in 2017 the Texas legislature consider passing legislation to enhance penalties for oilfield theft and oil laundering to better enable district attorneys and law enforcement officers to prosecute all levels of the criminal organizations that perpetrate oilfield crime.

TIPRO members may download the full interim report prepared by the Senate Committee on Natural Resources and Economic Development via the following link: http://www.senate.state.tx.us/75r/Senate/commit/c580/c580.InterimReport2016.pdf.

President's Message

Ed Longanecker

TIPRO Members,

In August, TIPRO filed a motion in a Washington, D.C. federal court seeking to intervene in a lawsuit brought by a group of environmental organizations that would force the Environmental Protection Agency (EPA) to adopt stricter oil and gas waste regulations. Recently the D.C. District Court issued a decision to not allow TIPRO (nor API, IPAA and North Dakota) to intervene in the matter.

While we are disappointed that the court did not give more consideration to the issues that both TIPRO and the state of North Dakota raised relating to the state Resource Conservation and Recovery Act (RCRA) programs in Texas and North Dakota, the motion and decision did achieve several of our objectives. The court made it abundantly clear that the EPA and environmental groups CANNOT negotiate the substantive content of a RCRA rule for oil and gas wastes in this case. The most they can do is negotiate an agreement where EPA regulators must determine whether it thinks a revision to Subtitle D rule is necessary, and if so, a date by which it will propose a rule.

The court also made it clear that it respected the Benston Amendment exempting oil and gas wastes from Subtitle C of RCRA and that this case is only about EPA reviewing:

> Two sets of regulations promulgated by the EPA under Subtitle D. The first set establishes federal criteria for the classification of solid waste disposal facilities and practices. See 40 C.F.R. pt. 257; see also 42 U.S.C. §6944(a). Facilities that fail to satisfy these criteria are classified as "open dumps"; practices that fail to satisfy the criteria are classified as "open dumping." See 40 C.F.R. §257.1(a)(1)–(2). Both open dumps and open dumping are prohibited by the Act. Id.; see also 42 U.S.C. §6945(a). The second relevant set of regulations establishes guidelines to assist states with the development and implementation of state solid waste management plans. See 40 C.F.R. pt. 256; see also 42 U.S.C. §6942(a). (Op. pg. 2).

This will help provide industry time to prepare a white paper for the new Administration on the issue before the EPA decides whether a rulemaking is necessary. If a rulemaking goes forward, then TIPRO and others will have time to comment and add data to the record so that it can influence a rule.

The process is that the EPA and environmental groups will have to lodge a consent decree with the court and take public comment on that decree. If the agreement goes beyond what the court laid out in its opinion, then we can object to entry of the decree.

We will continue to actively monitor this settlement and related developments. This is one of many legal issues TIPRO will be tracking on behalf of our membership, in addition to our ongoing state and federal advocacy efforts.

Looking beyond the EPA's "running – not walking" efforts to implement as many regulations as possible before the end of Obama's presidency, we can likely expect a more rational and business-friendly approach with the incoming Administration from a federal regulatory perspective. But, we also know that environmental activist groups across the country are actively raising funds and preparing for a fight if the Trump Administration attempts a dramatic retreat from President Obama's climate change initiatives adopted over the last eight years. This will likely translate into an increased number of lawsuits and anti-oil and natural gas campaigns from environmental activist groups. We must be prepared to respond to this growing threat.

Our organization, membership and voice are both unique and respected. TIPRO holds a strong commitment to represent our industry on a variety of issues. In the coming months, I will provide additional details on how you can directly support our increasing level of involvement from a judicial standpoint. In the meantime, your membership contribution is more important than ever as we maintain our level of support for our industry in this challenging economic environment. Thank you,

Ed Longanecker

Karnes County remains the state's top crude oil producer

Karnes County, situated in South Texas' Eagle Ford Shale, is again the leading county for oil production in the Lone Star State, according to the latest statistics released by the Railroad Commission of Texas (RRC). In September, Karnes County pumped more than 5 million barrels of oil.

RRC data also shows that total crude oil production in Texas during September averaged 2,380,134 barrels daily, down from the daily average of 2,428,328 barrels in September 2015. Total Texas natural gas production for September also was down from a year ago, averaging 18,708,082 thousand cubic feet (mcf) a day, compared to the 20,672,964 mcf daily average of September 2015.

TIPRO Calendar of Events

DECEMBER 14, 2016	JANUARY 11, 2017	FEBRUARY 8, 2017	FEBRUARY 15-17, 2017
HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	HOUSTON — Annual NAPE Summit, George R. Brown Convention Center. For info, call: (817) 847-7700.

Bill pre-filing continues for 85th Legislative Session

Pre-filing of legislation continues in Texas, ahead of the state's next legislative session that will kick off in January. As of Wednesday, November 30, 2016, over 470 bills have been filed in the Texas House and more than 260 bills have been filed for consideration in the Texas Senate.

Of the bills filed in the past two weeks, a few key pieces of legislation that are of interest to TIPRO and members of the association include:

- House Bill 119 – Relating to the listing of separate interests in minerals in place in ad valorem tax appraisal records.
- House Bill 302 – Relating to the exemption from ad valorem taxation of mineral interests having a value of less than a certain amount.
- House Bill 352 – Relating to the procedure by which a state agency may issue an opinion that a watercourse is navigable.
- House Bill 464 – Relating to the acceptance of political contributions by a member of the Railroad Commission of Texas and of political contributions made in connection with the office of Railroad Commissioner.
- Senate Bill 2 – Relating to ad valorem taxation.
- Senate Bill 225 – Relating to the referral by the Texas Commission on Environmental Quality to the State Office of Administrative Hearings of an issue regarding an application for a water right.

Early filing will continue until the legislature convenes on Tuesday, January 10, 2017.

States file petition to block BLM's new flaring & venting regulations

The states of Wyoming and Montana have asked a federal court to block implementation of federal regulations that would limit venting and flaring activities. The federal rule, issued November 15th by the U.S. Bureau of Land Management (BLM), is costly, duplicative and beyond the BLM's authority, argue the states.

"The Bureau's rule is a blatant attempt by a land management agency to impose air regulations on existing oil and gas operations under the guise of waste prevention. Congress specifically delegated authority to regulate air pollution to the U.S. Environmental Protection Agency (EPA) and the states because they are in the best position to regulate air quality matters. The Bureau's rule conflicts with the Clean Air Act and unlawfully interferes with Wyoming and Montana air quality regulations. The Bureau does not have the authority, much less the agency expertise, to impose the air quality control requirements promulgated in the final rule," reads the legal petition filed November 18th with the U.S. District Court of Wyoming. Consequently, the states have requested that the court declare the rule to be legally invalid.

The BLM's final regulation aims to reduce the waste of natural gas from mineral leases administered by the agency. Provisions under the rule will force operators to take various actions to reduce waste of gas resources. The regulation also establishes clear criteria for when flared gas will qualify as waste and therefore be subject to royalties, and clarifies which on-site uses of gas are exempt from royalties. The rule is scheduled to go into effect January 17, 2017.

"The bottom line is, BLM has exceeded its legal authority with this rule, and [this] is yet another example of the Obama Administration pushing the envelope to see how much they can get away with before leaving office. Even if BLM had the authority to adopt this rule, it would have negligible environmental benefit, as it does little more than duplicate existing state standards for methane venting and flaring, while adding additional cost to industry by creating even more compliance requirements," commented Montana Attorney General Tim Fox.

Two industry groups - the Independent Petroleum Association of America (IPAA) and the Western Energy Alliance - have also filed a lawsuit challenging the BLM's federal regulations. The trade associations are disputing the BLM's statutory authority to create an air quality regulatory program for the oil and gas industry, and contend that the new requirements are duplicative of existing regulations enforced by state regulators and the EPA.

U.S. Interior Dept. to defend hydraulic fracturing rules in court this January

In what is likely to be the final legal showdown over national hydraulic fracturing regulations, this coming January, the U.S. Department of Interior's Bureau of Land Management (BLM) will make its case before the Tenth U.S. Circuit Court of Appeals defending its authority to manage hydraulic fracturing activities on public lands. This summer, the federal hydraulic fracturing regulations were struck down by a U.S. District Judge Scott Skavdahl, who after reviewing the case ruled that the BLM lacked authority to establish such rules governing hydraulic fracturing on public lands. On January 17, 2017, in Denver, the court will listen to arguments over the hydraulic fracturing rule.

Texas announces lawsuit challenging federal environmental regulations

Texas is suing the federal government over two new regulations promulgated by the U.S. Fish & Wildlife Service and the National Marine Fisheries Service that broadly expand the definition of "critical habitats" for endangered and threatened species, Texas Attorney General Ken Paxton announced on Tuesday, November 29. Seventeen other states have joined Texas in filing the lawsuit, including: Alabama, Alaska, Arizona, Arkansas, Colorado, Kansas, Louisiana, Michigan, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Carolina, West Virginia, Wisconsin and Wyoming. The lawsuit was filed in U.S. District Court for the Southern District of Alabama against the U.S. Secretary of the Interior, National Marine Fisheries Service, U.S. Secretary of Commerce and U.S. Fish and Wildlife Service.

In the lawsuit, the states contend that the new rules extend federal authority over expansive areas where there may be "indirect or circumstantial evidence" that a protected species had occupied. The lawsuit states that "under this interpretation, [the federal government] could designate entire states or even multiple states as habitat for certain species."

"This is nothing more than yet another end run around Congress by a president who is desperate to establish his environmental legacy by any means necessary before his time in office ends in less than 60 days," Attorney General Paxton said in a statement. "The Obama Administration is hiding behind bogus rules to perpetrate land grabs, kill energy projects and block economic development."

"Washington bureaucrats have gone beyond common sense by seeking to expand their control to private property adjoining the habitat of an endangered species solely on the basis that these areas might one day be home to a threatened species," said Alabama Attorney General Luther Strange. "If this rule is unchallenged, there could be no limit to their regulatory reach, potentially setting the stage for the federal government to designate entire states or even multiple states as habitat for a particular species."

In the legal challenge, the coalition of states are asking that the final rules be vacated, as they are an unlawful attempt by the federal government to expand regulatory authority and control over state lands and waters.

USFWS considers relisting Lesser Prairie-Chicken

In July, the U.S. Fish & Wildlife Service (USFWS) officially removed the Lesser Prairie-Chicken from the Federal List of Endangered and Threatened Wildlife. Now, just four months later, renewed efforts to relist the bird have prompted USFWS officials to again consider whether the Lesser Prairie-Chicken warrants federal protection under the Endangered Species Act.

The agency announced on November 29th that a petition to list the Lesser Prairie-Chicken as endangered will be advanced to the next phase, where the species will undergo a thorough status review by the USFWS. The petition was filed on September 8, 2016, by WildEarth Guardians, Center for Biological Diversity, and Defenders of Wildlife requesting the Lesser Prairie-Chicken be listed as endangered. The petition also had requested that the sandsage and the shinnery oak prairie population segments be emergency listed as endangered under the Act as well. After examining the information presented in the petition from environmental organizations, the USFWS did not find that an emergency listing was necessary, but did conclude that enough substantial scientific and commercial information was present to indicate that listing the Lesser Prairie-Chicken may be warranted.

The Lesser Prairie-Chicken inhabits a large geographic landscape spanning across five states, including Texas. Conservation plans to help the Lesser Prairie-Chicken have been in place for years, managed by the Western Association of Fish and Wildlife Agencies (WAFWA). This summer, WAFWA reported that, after five years of aerial survey data collection, its latest Lesser Prairie-Chicken survey had confirmed bird population trends remained stable.

Still, the USFWS will pursue further review of the Lesser Prairie-Chicken population. The service is requesting scientific and commercial data and other information on the species from the public and involved stakeholders. Information can be submitted from the date of publication in the Federal Register until January 30, 2017.

Join TIPRO for the association's 71st Annual Convention!

TIPRO will host the association's 71st Annual Convention on February 27-28, 2017, at the Sheraton Hotel by the Capitol in Austin, Texas. Make plans to join us for this informative conference and hear from respected state and industry leaders on the latest opportunities and challenges facing Texas independent producers and royalty owners. As part of the TIPRO convention next February, there also will be several opportunities to meet and network with other members of the association, and form new business connections.

Additional registration information on TIPRO's 71st Convention and a complete agenda will be released in the coming weeks. Please consider supporting TIPRO's 2017 conference by signing up to sponsor the meeting. Find more information on the pages that follow.

TIPRO's 71st Annual Convention

February 27-28, 2017
Austin, Texas

LAST YEAR'S TOP SPONSORS:

Apache
OXY
Marathon Oil
OIL&GAS JOURNAL
PIONEER NATURAL RESOURCES
Schlumberger
XTO ENERGY

SPONSORSHIP OPPORTUNITIES:

GENERAL SPONSOR LEVELS~

Gold Sponsor **$10,000**
- *Four (4) all-access badges to TIPRO's Annual Convention, including spouse registration for each attendee*
- *Reserved table for eight (8) at the Chairman's Dinner*
- *Acknowledgement on all promotional materials and conference signage*
- *Full-page advertisement in the Convention program*
- *Half-page advertisement in The TIPRO Target newsletter*

Silver Sponsor **$7,500**
- *Three (3) all-access badges to TIPRO's Annual Convention, including spouse registration for each attendee*
- *Reserved table for eight (8) at Chairman's Dinner*
- *Acknowledgement on all promotional materials and conference signage*
- *Full-page advertisement in the Convention program*
- *Half-page advertisement in The TIPRO Target newsletter*

Bronze Sponsor **$5,000**
- *Two (2) all-access badges to TIPRO's Annual Convention, including spouse registration for each attendee*
- *Acknowledgement on all promotional materials and conference signage*
- *Half-page advertisement in the Convention program*
- *Half-page advertisement in The TIPRO Target newsletter*

Blue Ribbon Sponsor **$3,500**
- *Two (2) all-access badges to TIPRO's Annual Convention, including spouse registration for each attendee*
- *Acknowledgement on all promotional materials and conference signage*
- *Half-page advertisement in the Convention program*
- *Quarter-page advertisement in The TIPRO Target newsletter*

Red Ribbon Sponsor **$2,500**
- *One (1) all-access badge to TIPRO's Annual Convention, including spouse registration for each attendee*
- *Acknowledgement on all promotional materials and conference signage*
- *Quarter-page advertisement in the Convention program*
- *Quarter-page advertisement in The TIPRO Target newsletter*

White Ribbon Sponsor **$1,500**
- *One (1) all-access badge to TIPRO's Annual Convention*
- *Acknowledgement on all promotional materials and conference signage*

Support Sponsor **$500**
- *Acknowledgement on all promotional materials and conference signage*

Available sponsorship opportunities continued on the next page...

TIPRO'S 2017 ANNUAL CONVENTION: SPECIALTY SPONSORSHIPS

Legislative Reception Sponsor **$5,000**

Legislators, capitol staff and TIPRO members convene for this well-attended networking reception. Serve as one of the exclusive sponsors of this event. Sponsors will be featured on prominent signage displayed at the reception and have the opportunity to make welcome remarks, as well as receive one (1) all-access badge to the convention.

**Limit two sponsors*

Hospitality Suite Sponsor **$3,500**

Sign up as an exclusive sponsor of the hospitality suite at TIPRO's Annual Convention. Sponsor will receive prominent recognition on signage in the hospitality suite and other promotional materials for the event, as well as one (1) all-access badge to the convention.

**Limit one sponsor*

ITEM SPONSORSHIPS:

Notebook Sponsor* **$3,000**

Company logo will be featured on notebooks distributed to all convention attendees. In addition, participating notebook sponsor will also receive one (1) all-access badge to TIPRO's Annual Convention.

Totebag Sponsor* **$3,000**

Company logo will be featured on totebags distributed to all convention attendees. In addition, participating totebag sponsor will also receive one (1) all-access badge to TIPRO's Annual Convention.

Tumbler Sponsor* **$3,000**

Tumblers distributed to all convention attendees will be branded with the sponsor company logo. In addition, participating sponsor will also receive one (1) all-access badge to TIPRO's Annual Convention.

Amenity Sponsor **$3,000**

Each meeting attendee will receive a TIPRO-selected gift during their first night in the hotel with sponsoring company logo. Amenity sponsor will also receive one (1) all-access badge to TIPRO's Annual Convention. Limit two sponsors.

Lanyard Sponsor* **$2,500**

Company logo will be featured on badge lanyards provided to all TIPRO convention attendees. In addition, participating sponsor will also receive one (1) all-access badge to TIPRO's Annual Convention.

Hotel Key Sponsor* **$2,500**

Company logo featured on hotel room keys of guests in the TIPRO block. Participating key sponsor will also receive one (1) all-access badge to TIPRO's Annual Convention.

**Limit one sponsor*

To confirm availability or learn more about sponsorship packages for TIPRO's 71st Annual Convention, please contact Stephen Coffman at (512) 477-4452 or scoffman@tipro.org.

TIPRO'S ANNUAL CONVENTION: SPONSORSHIP FORM

SPONSORSHIP LEVELS

PLEASE CHECK DESIRED SPONSORSHIP CHOICE

- ❐ GOLD | $10,000
- ❐ SILVER | $7,500
- ❐ BRONZE | $5,000
- ❐ BLUE RIBBON | $3,500
- ❐ RED RIBBON | $2,500
- ❐ WHITE RIBBON | $1,500
- ❐ SUPPORT SPONSOR | $500

ADDITIONAL SPONSORSHIPS

PLEASE CHECK DESIRED SPONSORSHIP CHOICE

- ❐ LEGISLATIVE RECEPTION SPONSOR | $5,000
- ❐ HOSPITALITY SUITE SPONSOR | $3,500
- ❐ TOTEBAG SPONSOR | $3,000
- ❐ TUMBLER SPONSOR | $3,000
- ❐ NOTEBOOK SPONSOR | $3,000
- ❐ AMENITY SPONSOR | $3,000
- ❐ LANYARD SPONSOR | $2,500
- ❐ HOTEL KEY SPONSOR | $2,500

ATTENDEE INFORMATION

BADGE 1:

Name of Attendee: ______________________

Company: ______________________

Address: ______________________

City/State/Zip Code: ______________________

Phone: ______________ Fax: ______________

E-mail: ______________________

BADGE 2:

Name of Attendee: ______________ Company: ______________

Phone: ______________ E-mail: ______________

BADGE 3:

Name of Attendee: ______________ Company: ______________

Phone: ______________ E-mail: ______________

BADGE 4:

Name of Attendee: ______________ Company: ______________

Phone: ______________ E-mail: ______________

PAYMENT INFORMATION

Sponsorship Level: ______________ Sponsorship Total: ______________

Payment Method: ❐ VISA ❐ MASTERCARD ❐ AMEX ❐ CHECK NO: ______________

Print Name: ______________ Company: ______________

Billing Address: ______________________

Credit Card No.: ______________ Exp. Date: ______________

Signature: ______________ CID: ______________

Mail form to TIPRO at: 919 Congress Avenue, Suite 1000, Austin, Texas 78701 or fax to (512) 476-8070.

Forms must be accompanied by payment.

Obama Administration makes final regulatory push

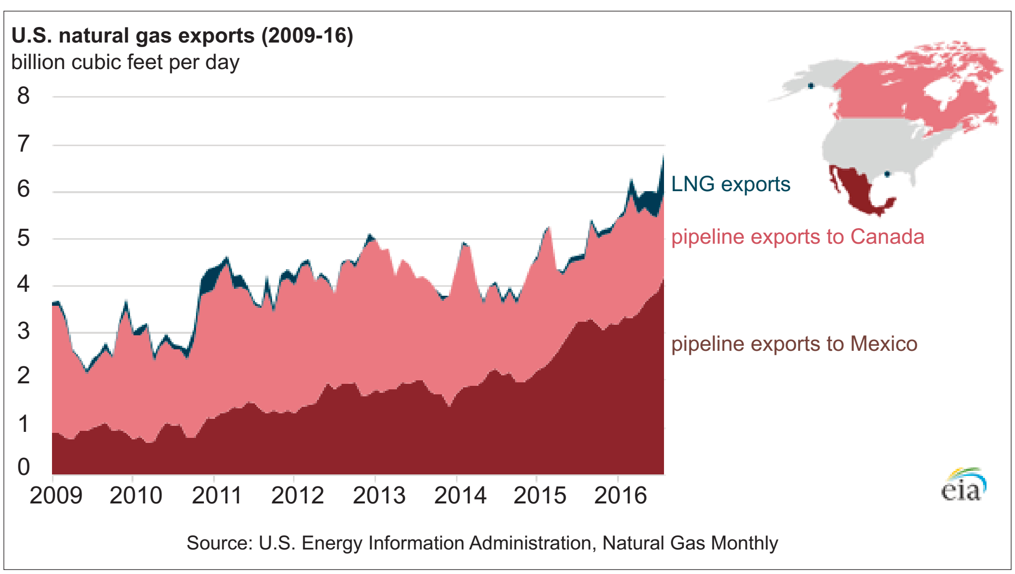
In the final months of the Obama Administration, federal officials are rushing to finalize a flurry of new government regulations, a number of which that pertain to the oil and gas sector. Below is a round-up of recent regulatory action taken by the executive branch:

• ***U.S. Fish & Wildlife Service finalizes changes to 50-year-old oil and gas regulations for refuge system***
In November, the Service updated a suite of rules that govern non-federal oil and gas development on lands of the National Wildlife Refuge System. While subsurface minerals may be owned by private individuals and other entities (who hold the legal right to develop those resources), the USFWS still manages more than 850 million acres in the Refuge System, including five marine national monuments, 565 national wildlife refuges and 38 wetland management districts. The recent regulatory changes made by the USFWS seek to minimize, if not eliminate, adverse effects on natural and cultural resources that are part of the National Wildlife Refuge System and wildlife-dependent recreation caused by oil and gas development activities, according to the federal agency. Revised regulations by the USFWS will reduce refuge impacts, including habitat loss and degradation, wildlife mortality and displacement, and other risks to ecological integrity. The final rule will require oil and gas operators to immediately report spills, respond to them with oversight by USFWS, and conduct restoration under Service-approved plans. Further, modified regulations also will ensure all operations on refuges are reclaimed by plugging wells, removing all above-ground structures, equipment, roads and contaminating substances, reestablishing native vegetation, and restoring disturbed areas to productive habitat. This rule will become effective on December 14, 2016.

• ***National Park Service updates non-federal oil and gas regulations***
The National Park Service announced regulatory changes in early November for rules governing private and state-owned oil and gas rights in the National Park System. Currently, oil and gas operations exist in 12 of 413 parks in the National Park System. Recent regulatory updates made by the Park Service will eliminate two regulatory provisions that had previously exempted 60 percent of the oil and gas operations in units of the National Park System. In addition, the National Park Service eliminated the financial assurance or bonding cap, improved enforcement authority by providing law enforcement staff with authority to write citations for non-compliance with the regulations, and authorized compensation to the federal government for new access on federal lands outside the boundary of an operator's oil and gas right. The final rule changes take effect December 5.

• ***U.S. Department of Interior announces Offshore Oil and Gas Leasing Plan for 2017-2022***
On November 18, U.S. Secretary of the Interior Sally Jewell and Bureau of Ocean Energy Management Director Abigail Hopper released the Administration's final proposal for energy development in the nation's Outer Continental Shelf (OCS) for 2017-2022. The proposed plan for future offshore development notably excluded most Arctic drilling leases, preventing development in Alaska's Chukchi or Beaufort Seas. Areas off the U.S. Atlantic coast were also not included in the Interior's proposal for offshore drilling, nor were areas off the Pacific coast. The Interior's final 2017-2022 OCS plan may be approved after a minimum of 60 days, allowing the plan to become effective no sooner than July 1, 2017.

United States doubles natural gas pipeline exports in last seven years



The United States continues to expand its pipeline exports of natural gas, doubling the level of natural gas exported via pipeline since 2009, according to new data released by the U.S. Energy Information Administration (EIA). Following America's shale revolution and a corresponding surge in domestic production, the nation has had a larger supply of natural gas inventory available for export to neighboring countries. Nearly all of the increasing natural gas exports have been piped to Mexico, said the EIA. With an expansion in pipeline infrastructure coupled with increasing power demand, Mexico has significantly increased its imports of natural gas produced in the United States. "In August, the United States exported 4.2 billion cubic feet per day (Bcf/d) of natural gas to Mexico via pipelines," reported the EIA. "U.S. daily pipeline exports to Mexico through August 2016 are at a yearly average of 3.6 Bcf/d, 25 percent above the year-ago level and 85 percent above the five-year (2011–15) average level." The trend is seen as positive news for Texas producers.

And though U.S. natural gas exports to Mexico are expected to continue to grow in the short term, the EIA notes that uncertainty remains for Mexican electricity demands in the future.

Texas legislative panel looks to set Rainy Day Fund floor at $7.5 billion

The Select Joint Committee on Economic Stabilization Fund Balance met in Austin on Wednesday, November 30, and approved a minimum balance for the state's savings fund for the next state fiscal biennium. The Economic Stabilization Fund, commonly known as the Rainy Day Fund, is primarily supported through taxes collected on crude oil and natural gas production. Texas holds one of the largest economic stabilization funds in the nation, with a current balance of $10.1 billion, according to the Comptroller's office.

With a vote of 8-1 on Wednesday, the legislative committee agreed this week to set $7.5 billion as the minimum for the fund over the state's next two-year budget cycle. Adopting this floor for the fund "keeps significant resources in reserves, protecting Texas' credit rating and maximizing our ability to invest funds," said Texas Senator Jane Nelson, a co-chairwoman of the panel.

Report backs EPA's findings on hydraulic fracturing, drinking water

Scientific data continues to reinforce the U.S. Environmental Protection Agency's (EPA) original finding of no widespread effects to drinking water quality from hydraulic fracturing activities, according to a report commissioned by the American Petroleum Institute (API) released in mid-November. "This report shows that EPA's conclusion has scientific backing and reflects the effectiveness of existing industry practices and state regulations," said API Director of Upstream and Industry Operations Erik Milito.

Under the direction of Congress, the EPA has been in the process of conducting a national study on the relationship between groundwater resources and hydraulic fracturing for oil and gas. The EPA released a draft assessment last year, finding no evidence that hydraulic fracturing has led to widespread, systemic impacts on drinking water resources in the United States.

The new API report backs this finding, supported by state and federal regulatory reviews, and dozens of recent peer-reviewed case studies. "If there was a significant correlation between impaired drinking water resources and hydraulic fracturing, that connection would be manifested in the areas that EPA evaluated. This finding is corroborated by a large, credible body of case studies and scientific literature," concluded the report.

Milito added, "Hydraulic fracturing is the backbone for a continued economic, environmental and energy development success story in the U.S. While the U.S. has risen to be the world's leading producer of oil and natural gas, industry has also reduced carbon emissions from power generation to their lowest level in more than 20 years – making it clear that environmental progress and energy production are not mutually exclusive. None of this would be possible without hydraulic fracturing. The scientific data documented by the EPA study add to the proof that it is being done safely."

"The EPA's study on hydraulic fracturing and groundwater protection will be viewed globally and must reflect existing scientific evidence. As the study is finalized and prepared for release by the end of the year, it is critical for any review to focus on the facts and available science."

Understanding UPS and FedEx rate increases

An update from the TIPRO Shipping Program

Every year small package carriers FedEx and UPS evaluate their shipping rates and make adjustments that can have a substantial effect on you and your business. The UPS rate increases will take effect on December 26, 2016, while the new FedEx rates take effect on January 2, 2017. As always, how much more expensive your particular small package shipments will be in the new year largely depends on many factors, including shipment volumes, sizes, weights, and modes.

Here are some quick facts:

- FedEx Express and International rates are increasing an average of 3.9 percent;
- UPS Air and International rates are increasing an average of 4.9 percent;
- FedEx Ground and Home Delivery® rates are increasing an average of 4.9 percent;
- UPS Ground rates are increasing an average of 4.9 percent;
- The dimensional divisor for FedEx is changing from 166 to 139; and,
- FedEx SmartPost®, FedEx One Rate®, and UPS SurePost® rates will be changing.

The important takeaway when thinking about your shipping expenses in 2017 is that the announced average increases paint an inaccurate picture of the true impact these new rates could have on your business. The shipping experts at PartnerShip® have dug into the details and analyzed the new rate tables to assess the true impact to shippers and help you make sense of these changes. Learn more about how the 2017 rate increases will affect your shipping costs by downloading the free white paper at PartnerShip.com/RateIncrease.

This tip is brought to you by PartnerShip, the company that manages the TIPRO Shipping Program. To enroll and receive exclusive discounts on select FedEx® services, please visit PartnerShip.com/TIPRO. For more information, email sales@PartnerShip.com or call (800) 599-2902.

JOIN TIPRO IN AUSTIN FEBRUARY 27TH - 28TH FOR THE ASSOCIATION'S 2017 ANNUAL CONVENTION!

The Texas Legislature will be back in session, a new presidential administration will have resumed control of the executive branch, plus additional regulations and requirements for the oil and gas industry will be under consideration. At TIPRO's annual meeting next February, learn how the changing legislative and regulatory environment could impact your business.

For more information, contact TIPRO at (512) 477-4452.

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.

919 Congress Avenue, Suite 1000
Austin, Texas 78701
Phone: (512) 477-4452
Fax: (512) 476-8070
www.tipro.org