



**Texas
Independent
Producers and
Royalty Owners
Association**

TEXAS OIL AND GAS REGULATOR TACKLES FLARING ISSUES IN NEW REPORT

In an effort to foster meaningful discussion of flaring trends in Texas and seek a path towards flaring reductions, Texas Railroad Commissioner Ryan Sitton on Tuesday, February 18th released a landmark analysis on how much flaring is occurring in the Lone Star State today. The report is the result of extensive data compiling and analysis, according to the commissioner, and presents the first comprehensive, fact-based contextual picture of flaring in the nation's largest energy-producing state.

Inside the 13-page report, Commissioner Sitton not only compares flaring volumes in Texas to other states, nations and between various companies, he also identifies flaring intensity, a benchmark metric assessing the relationship between oil production and flaring levels. Flaring, a common practice used by industry operators to burn off surplus natural gas from oil wells, has increased in Texas in more recent times along with the expansion of oil and gas development. Much of the increase in flaring activities though is a result of insufficient pipeline infrastructure and gathering systems needed to capture natural gas byproducts and move it to market. And while total flaring volumes have grown in Texas, the state as a whole still ranks better than other oil-producing states such as North Dakota and oil-producing nations such as Iran, Iraq and Russia when it comes to flaring, according to Commissioner Sitton's analysis.

Several options are reviewed to curb flaring in the commissioner's report, though the regulator says he views this analysis as a starting point to help guide future conversations tied to changing policy or regulatory requirements for oil and gas operators. Commissioner Sitton says he next intends to broadly discuss his flaring analysis at an upcoming public forum that will allow all interested parties and stakeholders to provide input and feedback. The commissioner suggests that during this public discussion, he hopes to explore any suggested modifications or feedback regarding how the state evaluates flaring data, and also looks forward to addressing innovative solutions on how best to reduce flaring rates in Texas. The date and time of this public meeting on flaring will be announced in the coming weeks.

"With flaring intensity levels in Texas already lower than most parts of the world, and lower than historical levels, a forced reduction could cause a disproportionate increase in flaring in other parts of the world, and have a chilling effect on Texas energy development with no quantifiable benefit to Texans or the world. This would negatively impact jobs and the economy not just in Texas, but nationwide... Whatever steps are taken should be done with consideration of national and international implications."

TIPRO members interested in reviewing Commissioner Sitton's complete flaring report may download a copy at: <https://bit.ly/3bQKAIn>.

See TIPRO's response to Commissioner Sitton's new flaring report inside of the President's Message featured on Page 2...

TIPRO'S CONVENTION IS ONE MONTH AWAY -- NEW SPEAKERS ADDED TO AGENDA LINE-UP!

The Texas Independent Producers & Royalty Owners Association (TIPRO) is pleased to announce that Ken McQueen, administrator of the U.S. Environmental Protection Agency's (EPA) Region 6 Office, will join the group at its upcoming annual convention, set to take place March 23-24 at the Hilton Anatole Hotel in Dallas. McQueen is head of the federal government's EPA South-Central Division, based in Dallas, which oversees activities and environmental protection efforts in the state of Texas, along with Oklahoma, Louisiana, New Mexico, Arkansas and in 66 Tribal Nations. McQueen took over as Region 6 administrator last August, after being appointed to the role by U.S. EPA Administrator Andrew Wheeler. He most recently was the state of New Mexico's cabinet secretary for the Energy, Minerals, and Natural Resources Department (EMNRD) from 2016 to 2018, where he worked to streamline rules and regulations. McQueen also holds extensive industry experience, having served as vice president of WPX Energy from 2012 until 2016. He also led William's operations in the San Juan and Green River basins, and has worked as a petroleum engineer earlier in his career.

At the association's upcoming annual meeting, TIPRO also looks forward to welcoming David Terry, senior vice president of corporate development for Comstock Resources. Terry will join TIPRO's operator panel, also including Mike Hinson, senior vice president of corporate affairs and cofounder of Parsley Energy and Todd Abbott, vice president of resource plays-south for Marathon Oil.

TIPRO also will welcome at its 74th Annual Convention Chief Oil & Gas Founder and CEO Trevor Rees-Jones as the industry keynote presenter, along with other oil and gas experts who will provide TIPRO attendees with insights on energy capital markets as well as preview November's General Election.

Sign up today to participate in TIPRO's 74th Annual Convention. Find other event details, including the full convention agenda and online registration by visiting the TIPRO website at www.tipro.org. Don't forget to also book your hotel accommodations for the TIPRO Convention at the Hilton Anatole -- **hurry to take advantage of TIPRO's reduced room rate, which has been extended until February 28th!** Call the Hilton Anatole at (214) 748-1200 to secure your hotel reservation today for the TIPRO meeting.

PRESIDENT'S MESSAGE

TIPRO Members,

A new report released this week by Texas Railroad Commissioner Ryan Sitton takes a hard look at flaring levels in the state of Texas and explores possible actions which could help mitigate the need for flaring in the future. The commissioner's report also offers a new metric, referred to as flaring intensity, that assesses the relationship between oil production output and flaring by companies.

Amongst the findings presented by Commissioner Sitton, his analysis shows that the U.S. oil and natural gas industry ranks second globally for the lowest flaring intensity, which is based on a metric that relates to the amount of gas flared to the amount of oil produced. Texas also leads the country with the lowest flaring intensity (0.09 Mcf/Bbl), even as production has reached historic levels. The increase in flaring is due in large part to a lack of adequate infrastructure with wells producing higher levels of associated gas with no access to the systems required to capture that gas. As outlined in the report from Commissioner Sitton, while Texas flaring volumes are at a high for recent history, current levels are not unprecedented. And though Texas' flaring intensity has trended up since the 1980s, the state as a whole is still well below historical levels and most of the world.

Additional data and analysis are welcome on the topic of flaring, as are constructive conversations and collaboration between all stakeholders. In Texas, over 95 percent of natural gas is captured in gathering systems and transported by pipeline to processing facilities. We can expect a decrease in flaring volume and intensity as additional pipeline capacity comes online, coupled with a reduction in drilling activity related to capital constraints and other market challenges. As stated in the report, with flaring intensity levels in Texas already lower than most of the world's oil and gas producing countries, and lower than historical levels, forcing a reduction could actually cause an increase in flaring overseas, while having a negative impact on domestic energy development and the tremendous economic benefit the industry provides at the state and national level.

On the larger topic of energy production, emissions and the environment, today America is among the leaders in the world for clean air, water and proactive environmental stewardship, even with record production of oil and natural gas. In fact, methane emissions from onshore U.S. oil and natural gas production dropped 24 percent, while oil and natural gas production rose 65 percent and 19 percent, respectively, from 2011 to 2017, according to data from the U.S. Environmental Protection Agency and the Energy Information Administration.

The International Energy Agency (IEA) also reported this week that U.S. carbon emissions fell by 2.9 percent, or by 140 million tons, in 2019, continuing the trend of the U.S. leading the world in total emissions decline since 2000. Unfortunately, emissions in the rest of the world grew by nearly 400 million tons, with 80 percent of that increase coming from developing countries in Asia due to strong demand for coal. The IEA stated that the decline in emissions in the U.S, Japan and the European Union was mainly due to using less coal for electricity, replacing it with natural gas and other forms of energy.

These positive energy emission trends are also attributable to voluntary actions taken by U.S. operators, including investment of over \$300 billion in greenhouse gas mitigating technologies by U.S. oil and natural gas companies over the past 20 years.

The United States continues to dominate as a global leader in environmental success. Since 2005, the starting point for the Paris Climate Accords, total U.S. greenhouse gas (GHG) emissions have dropped by 12 percent and total GHG emissions from fossil fuel combustion have decreased nearly 15 percent. In the meantime, every one of the signatories of the Paris Accord lags behind America in overall emissions reductions. These are more examples of significant and measurable results being achieved by this sector that should be at least acknowledged by oil and natural gas detractors.

But that's just the beginning. New technologies are again mapping the future for lower-emissions oil and gas production. In addition to voluntary programs, increased use of natural gas for electricity generation, and a massive investment in emission-reducing technologies, energy companies are pursuing new partnerships to further research and deploy innovative programs like carbon capture and sequestration (CCS). The U.S. Department of Energy is also running a carbon capture program, aiming to demonstrate technology that could capture CO2 for a cost of less than \$40/metric ton between 2020 and 2025. This public-private sector approach is what's needed to fully capitalize on our country's extraordinary natural resources, while continuing to protect the environment for future generations.

Oil and gas is an industry defined by innovation and results. TIPRO looks forward to continuing its work with partners and stakeholders on realistic solutions, collaboration and innovation to reduce emissions. Cleaner operations, facilities and products all are part of this sector's commitment to responsibly develop our nation's energy resources.

Regards,

Ed Longanecker



Ed Longanecker

TIPRO Calendar of Events

<p>MARCH 3, 2020 CORPUS CHRISTI — TIPRO District Meeting with Representative Todd Hunter. Member-only event. For info, call: (512) 477-4452.</p>	<p>MARCH 11, 2020 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>MARCH 23-24, 2020 DALLAS — TIPRO's 74th Annual Convention, Hilton Anatole Hotel. For info, call: (512) 477-4452.</p>	<p>APRIL 8, 2020 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>
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EARLY VOTING NOW UNDERWAY FOR TEXAS PRIMARY ELECTIONS – STAY AHEAD OF THESE VOTER DEADLINES

Early voting for the 2020 Primaries began Tuesday, February 18th in Texas, marking the start of a very active political season sure to dominate headlines much of the year.

Amongst other notable races, during the 2020 election cycle, Texans will be voting to elect the state's next energy regulator serving the Railroad Commission of Texas. Current Commissioner Ryan Sitton, the Republican incumbent first elected to the commission in 2014, is seeking reelection for his seat at the commission. At the upcoming TIPRO Annual Convention in Dallas, Commissioner Sitton will join the association for a special candidate debate, hosted by TIPRO, involving the leading candidates selected from each party to square off in November's General Election.

Meanwhile, Texans will also be casting votes on a number of high-profile races for federal representation. In addition to this year's presidential election, several notable seats in Congress will see new faces taking over, after longstanding leaders from Texas announced they will not return to Washington, D.C., for future terms in Congress. This includes U.S. Representatives Michael "Mike" Conaway of Midland, Pete Olson of Sugar Land, Will Hurd of suburban San Antonio, Bill Flores from College Station/Bryan, and Kenny Marchant from Dallas.

TIPRO members can stay ahead of important election dates by noting the following voter deadlines:

- ✓ Early Voting Period for Texas Primary Elections: February 18-28, 2020
- ✓ Primary Election Day: March 3, 2020
- ✓ Last Day to Register to Vote For Primary Runoffs: April 27, 2020
- ✓ Early Voting Period for Primary Runoff Elections: May 18-22, 2020
- ✓ Primary Runoff Election Day: May 26, 2020
- ✓ Last Day to Register to Vote in Texas for the 2020 General Election: October 5, 2020
- ✓ Early Voting Period in Texas for the 2020 General Election: October 19-30, 2020
- ✓ Election Day: November 3, 2020



To learn more about what's on the ballot and locate your closest polling location, visit votetexas.gov/. A reminder that Texas voters will be required to present one of the seven approved forms of photo ID at the polls, unless qualified for certain photo identification exemptions.

RULE CHANGE APPROVED BY TEXAS RAILROAD COMMISSION WILL SUPPORT TEXAS ENERGY PRODUCTION

At the February open meeting of the Texas Railroad Commission, held last Tuesday, February 11th in Austin, all three Railroad Commissioners voted unanimously to approve amendments to 16 Texas Administrative Code §3.40, relating to assignment of acreage to pooled development and proration units. Policy changes will modernize state regulations to allow the same surface acreage to be assigned to more than one well in an unconventional fracture treated (UFT) field when mineral ownership is severed at different depths below the surface. This rule revision will ensure operators are able to fully access and develop the state's precious resources, as well as further protect mineral owner interests.

Previously, under Rule 40, statutory language prohibited assignment of acreage to more than one well in a defined regulatory field. There was a one-time exception available in the field rule for horizontal wells, which applied to the Spraberry field and enabled development of two ownerships. The rule otherwise was restricting development in cases where ownership was broken by depth with multiple severance. Now, revisions to Rule 40 eliminate the necessity for a hearing on a tract or lease basis. It is important to take note of certain revisions to the rule, including a notice requirement, an exception process for non-UFT fields, a two-year moratorium on field rule changes, and a requirement that an operator shall provide "non-confidential information supporting its right to drill or produce" if requested.

Praising the amendments incorporated to Statewide Rule 40, Commission Chairman Wayne Christian called this latest rule change a "win-win" for both industry and regulators, saying it will help to save both agency staff and energy producers time and resources. "I am thankful for the hard work that went into modernizing these rules," the chairman reflected.

The commission initially published proposed amendments to SWR 3.40 last October and invited stakeholders to provide public comment and feedback on suggested rule changes. On behalf of the association's membership, TIPRO offered general support for the updates provided, though did recommend slight alterations that would ensure operators the ability to fully develop our state's precious mineral resources. TIPRO's suggested amendments sought to alleviate excessive and unnecessary administrative burdens on applicants, allow for the Railroad Commission to grant specific exceptions in extenuating circumstances, and allow an operator the ability to have a hearing versus have a case handled administratively. Read TIPRO's comments in their entirety at the following link: <https://bit.ly/2u7kNuL>. A number of TIPRO's concerns were addressed in the final rule adopted by the commissioners.

"Our job as commissioners is to ensure that the state's rules keep up with advancing technology," stated Railroad Commissioner Ryan Sitton. "Amending Rule 40 will enable energy producers to responsibly extract more energy resources by recognizing that the way energy is produced has evolved over time. All Texans win in the form of lower energy prices with this change."

Commissioner Christi Craddick added, "I appreciate the tremendous effort that commission staff put into revising this rule. Working together with industry and stakeholders, these changes help to streamline our processes and increase production."

Rule changes will take effect March 3, 2020. To read the adopted rule, visit: <https://bit.ly/38DATev>.

TIPRO MOURNS THE PASSING OF LEGENDARY WILDCATTER AND TEXAS OILMAN CLAYTON WILLIAMS

At the age of 88, Texas oilman, renowned businessman and well-known philanthropist Clayton Wheat “Claytie” Williams Jr. passed away at his home in Midland Friday, February 14th after falling ill with pneumonia. Williams was a loyal member of the Texas Independent Producers & Royalty Owner Association for over 55 years and well-regarded by industry members as a true wildcatter.

Williams, who was born in the small West Texas town of Alpine, had been a life-long energy pioneer. He started his career in the oil and gas industry by selling oil and gas leases near Fort Stockton, where he spent much of his childhood. He drilled his first successful well in 1959, then went on to build a fortune in real estate, banking and telecom. After an unsuccessful run against Ann Richards in 1990 to become the next governor of Texas, Williams returned to the oilfields to launch his company Clayton Williams Energy. Clayton’s company was later acquired in 2017 by Noble Energy in a cash-and-stock deal valued at \$2.7 billion. Altogether, Williams founded more than 26 major companies in his lifetime.

In a statement, Texas Governor Greg Abbott over the weekend extended his condolences for the loss of the oil and gas pioneer. “Claytie Williams was a giant among Texans and will be remembered for his incredible business acumen and philanthropic acts. His impact on the Permian Basin will be lasting and his legacy will live on as a man who helped drive the American oil and gas boom--leading to our nation’s energy independence. Claytie and Modesta transformed Midland with their ingenuity, warmth, and kindness. Cecilia and I are deeply saddened by the news of his death and ask that all Texans keep Claytie and his family in their prayers.”

Williams also leaves behind a legacy as an involved philanthropist who served his community. As recent as November, he had been honored by the Association of Fundraising Professionals-Permian Basin Chapter as its “Outstanding Philanthropist” during the AFP’s National Philanthropy Day luncheon at the Petroleum Club of Midland. He was also a known supporter of Texas A&M University, where he graduated in 1954. The Texas oilman provided millions to the university over the years, with the school’s alumni center named in his honor.

HOUSE NATURAL RESOURCES COMMITTEE GAINS NEW MEMBER

Speaker of the House Dennis Bonnen has appointed newly-elected Representative Anna Eastman to serve on the House Committee on Natural Resources. Eastman, a Democrat, was elected to represent District 148 covering parts of Houston in a special runoff election in January. The speaker also has assigned Eastman as a new member of the House Civil Jurisprudence Committee.

New to the legislature, state Representative Gary Gates has also been appointed by Speaker Bonnen to serve on the House Committee on Appropriations, as well as the House Committee on Pensions, Investments and Financial Services. Gates represents House District 28, including Katy and parts of southwest Houston.

STATE SENATOR KIRK WATSON TO LEAVE THE TEXAS LEGISLATURE IN APRIL

Longtime Texas Senator Kirk Watson will retire from the Texas Senate this April to become the first dean of the University of Houston’s Hobby School of Public Affairs, the senator shared on Tuesday, February 18. The Austin Democrat has been a state senator for Senate District 14 since 2007, which covers most of Travis County and all of Bastrop County. Watson, a former mayor of the City of Austin, is counsel at the law firm Husch Blackwell LLP. In the legislature, he is vice chair of the Senate’s Nominations Committee, and sits on the Senate Education, Higher Education, Finance and Select Redistricting Committees. During last year’s legislative session, he was elected as the Senate’s president pro tempore, serving as the presiding officer of the upper chamber in the absence of the lieutenant governor.

“I love the people of Austin and Central Texas. They’ve encouraged, supported and inspired me for decades. I thank them for their trust, for electing me mayor and state senator, and for allowing and inviting me, time and again, to participate and play a role in their lives,” Senator Watson said Tuesday. “Together, we have navigated big transitions and created things that will improve the lives of Central Texans for generations. I’m proud of our many very real successes. Only a unique opportunity to serve this state — and a compelling platform for that service — would cause me to leave.”

“I have the extraordinary opportunity to be the Founding Dean of the University of Houston Hobby School of Public Affairs,” he said. “This is a chance to build a world-class public affairs and policy school essentially from the ground up. It is transformative work at a creative and ambitious university, located in one of the country’s largest and most diverse cities.”

Senator Watson said that he has informed the governor of his resignation, which will be effective April 30th to allow a reasonable amount of time before a special election and minimize the amount of time that Senate District 14 will be without a senator. Watson indicated this also should provide sufficient time for the next senator of District 14 to prepare for the 2021 legislative session that will start next January.

During his time in office, Watson has been an advocate for clean energy and prioritized environmental concerns, including water conservation and management practices. Earlier in his career, Watson also chaired the Texas Air Control Board, one of the predecessors to the Texas Commission on Environmental Quality (TCEQ), from 1991-1993.

Since news broke Tuesday of Senator Watson’s plans to leave office early, talk quickly began of which politicians may become early front-runners to take over the open Senate seat. Those who said they are looking into a possible campaign, according to the *Austin American Statesman*, include state Representatives Eddie Rodriguez, Donna Howard and Celia Israel, D-Austin; Austin City Council Member Greg Casar; Travis County Judge Sarah Eckhardt; immigration lawyer Chito Vela III; and Austin lawyer Adam Loewy.

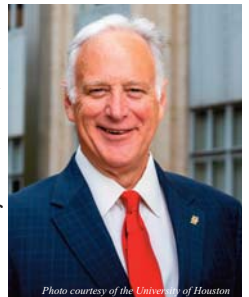


Photo courtesy of the University of Houston

TRUMP ANNOUNCES NOMINATIONS FOR KEY ADMINISTRATION ROLES AT EPA, FERC, ENERGY DEPT.

President Donald Trump in mid-February announced nominations of several new leaders he hopes will serve under his cabinet. Amongst the slate of new nominations, Douglas H. Benevento has been nominated to become the next deputy administrator of the U.S. Environmental Protection Agency (EPA). Benevento was previously the EPA Region 8 administrator from October 2017 through March 2019, before transitioning to EPA headquarters in Washington D.C. to become senior counselor for regional management and state affairs and later associate deputy administrator. He also was a former executive director for the Colorado Department of Public Health and Environment, where he managed the state's environmental and public health programs. From 2010 until 2017, Benevento worked on energy and environmental issues in the private sector at Xcel Energy in various roles, and also practiced law at Greenberg Traurig earlier in his career. Texas Commission on Environmental Quality Chairman Jon Niermann spoke highly of Benevento's nomination to be second-in-command at EPA's national office, commenting in a statement: "I have appreciated Doug's responsiveness to states' issues and Texas looks forward to working with him in his new role."

The president also last week nominated Mark W. Menezes to serve as deputy secretary of energy at the U.S. Energy Department. Menezes currently serves as under secretary of energy and is the department's principal advisor on energy policy and a wide array of existing and emerging energy technologies. Prior to being confirmed as under secretary of energy, Menezes was an executive with Berkshire Hathaway Energy in its Washington, D.C. office. Before joining BHE, he was a partner at Hunton & Williams LLP, where he headed the Regulated Markets and Energy Infrastructure practice group. Prior to Hunton, he also served as chief counsel of energy and environment for the U.S. House of Representatives Committee on Energy and Commerce, and was a chief negotiator for the House Majority in the enactment of the Energy Policy Act of 2005. Menezes would replace Dan Brouillette as deputy secretary of energy, who has now taken over as head of the U.S. Energy Department since the departure of former Energy Secretary Rick Perry last year. "[Menezes] has served as under secretary of energy since November 2017 and the department has thrived under his steady leadership and expertise," commented Secretary Brouillette. "I urge the U.S. Senate to expeditiously confirm him and look forward to continuing to serve alongside my friend and colleague to advance U.S. energy independence and security."

Meanwhile, James P. Danly has also recently been renominated by President Trump to become a member of the Federal Energy Regulatory Commission (FERC). Danly, FERC's general counsel, was originally nominated to the role last October, though saw his nomination stall in the U.S. Senate at the start of the new year. As such, the White House in February resent Danly's nomination to the Senate for consideration. Danly would fill an open Republican vacancy on the panel of energy regulators left by the passing of previous FERC Chairman Kevin McIntyre. If confirmed by the Senate, Danly will complete McIntyre's five-year term at FERC, lasting through June 30, 2023.

With other vacancies still remaining at FERC, Democrats have expressed continued disappointment that the president has sent forward a Republican FERC nominee without also simultaneously providing a Democratic nominee, a longstanding tradition at the federal regulatory body of pairing partisan nominees. Reportedly Democrats had hoped Allison Clements, a well-known energy lawyer and former director for the Natural Resources Defense Council (NRDC), would be put up for the vacant seat that had been left behind by previous FERC Commissioner Cheryl LaFleur, who resigned last August. Current Commissioner Bernard McNamee last month also shared he will not be returning to FERC for another term, and will leave his post this summer, giving the five-member FERC panel another opening in the near future.

INTERIOR SETS MARCH OIL AND GAS LEASE SALE FOR THE GULF OF MEXICO

Oil and gas companies interested in expanding operations in the Gulf of Mexico will have the opportunity this March to bid on available tracts being leased by the U.S. federal government. Leaders of the U.S. Department of Interior announced on February 11th that the next offshore oil and gas lease sale has been scheduled for Wednesday, March 18, 2020, and will include all available unleased areas in federal waters of the Gulf of Mexico. Up to 78 million acres will be offered under Lease Sale 254, which will be the sixth offshore sale under the 2017-2022 Outer Continental Shelf Oil and Gas Leasing Program.

"Record domestic offshore oil and gas production in 2019 has played a vital role in President Trump's vision for American energy independence," said Department of the Interior Secretary David Bernhardt. "A strong and safe offshore energy program fuels the American economy, provides thousands of good paying jobs and delivers affordable and reliable energy for everyday use."

Revenue generated from this lease sale will benefit the U.S. Treasury, certain Gulf Coast states - including Texas, Louisiana, Mississippi and Alabama, the Land and Water Conservation Fund and the Historic Preservation Fund managed by the National Park Service.

In a report issued late last year by independent energy research and consulting firm Rystad, oil production in the U.S. Gulf of Mexico was forecasted to set more records this year, despite large investment cuts impacting operations in other parts of the nation. According to Rystad, oil production in the Gulf has grown every year since 2013, with an average of 104,000 barrels per day added annually. Analysts also noted that since 2015, the Gulf of Mexico has been the world's second most prospective offshore region for oil and gas development opportunities, with collective resources discovered in the Gulf of Mexico over the past five years amounting to 5.03 billion barrels of oil equivalent (boe), with an estimated value of \$1.9 billion. "2020 is expected to be another record year with average production above 1.9 million barrels per day," said Joachim Milling Gregersen, an analyst on Rystad Energy's upstream team. Rystad's analysis did indicate an ongoing trend of offshore operators adopting expansive cost-cutting measures to maintain positive free cash flow in the low oil-price environment experienced in more recent years. Since 2015, development costs have decreased by 60 percent, said Rystad researchers, whereas operational expenditures, or opex, went down 7 percent in the same time period.

U.S. PRODUCERS PUMPED OVER 1 BILLION BARRELS OF OIL LAST YEAR ON FEDERAL LANDS

For the first time in the nation's history, oil production on federal and tribal lands topped 1 billion barrels in Fiscal Year 2019. According to the U.S. Department of Interior, this represents a 122.5-million-barrel increase in production of crude oil on federal and American Indian-owned lands and offshore areas compared to Fiscal Year 2018.

Energy production on U.S. lands has expanded in more recent years, with the support of federal policies promoting energy growth in America. President Donald Trump's executive orders relating to energy -- including the "Implementing an America-First Offshore Energy Strategy" and "Promoting Energy Independence and Economic Growth" orders -- have guided the Interior Department, along with other federal entities, to improve internal processes to more efficiently issue permits and implement other common sense regulatory changes.

"The Trump Administration continues to appropriately develop our natural resources and be great stewards of conservation, benefiting all Americans," said U.S. Secretary of the Interior David Bernhardt. "Disbursements paid to states and Tribes from oil lease revenues go right back to the communities where the energy was produced, providing critical funding for schools, public services, conservation improvements, coastal restoration and infrastructure projects that create good-paying American jobs."

As a result of increased drilling activity and energy development, royalty revenues collected in Fiscal Year 2019 were also up, reported the Interior Department, increasing to \$7.5 billion, 21 percent higher than Fiscal Year 2018. These revenues from producing oil leases grew by \$1.3 billion in comparison to Fiscal Year 2018 and were 122 percent higher than at the end of the previous administration in Fiscal Year 2016. These revenues, often the second-highest generator of federal income following taxes, provide critical sources of funding for states, American Indian Tribes and individual Indian mineral owners, as well as support the Land and Water Conservation Fund, Reclamation Fund, Historic Preservation Fund and the U.S. Treasury.



CHINA'S CORONAVIRUS DRAINS GLOBAL ENERGY MARKETS

An outbreak of the coronavirus, a deadly disease originating out of China that has now spread to 24 countries, is plaguing global oil markets, putting a definitive dent in energy demands and prompting traders to weigh the larger impact of the coronavirus on the energy sector. China, the world's largest oil importer and second-largest oil consumer, has been forced to curtail travel and economic activity in recent weeks as communities hope to regain control of the spreading virus and keep residents healthy. Just two months after the virus was discovered, it has already infected more than 42,000 people as of mid-February, while doctors and scientists scramble to try to learn more about the infectious disease and understand how it is spreading. Meanwhile, the sudden curtailment of China's oil demands has lowered world prices of oil, hurting producers located as far away as the state of Texas.

The coronavirus outbreak also has reportedly strained relationships between Russia and the Organization of the Petroleum Exporting Countries (OPEC), amid disagreements over the best response to the epidemic. In recent weeks, members of OPEC are said to have been trying to work to determine a solution to overcome shifts in global energy demands resulting from the coronavirus and stabilize oil prices, including considering further cuts to the group's production-limiting pact by 600,000 barrels per day. According to S&P Global Platts, this recommendation would have such production reductions beginning in April and lasting through June. Russian leaders, however, seem to be at odds over taking such action to deliver additional production reductions.

Speaking at a recent conference in Washington D.C., U.S. Energy Secretary Dan Brouillette meanwhile has played down the long-term impact of the coronavirus on global energy markets. "The coronavirus, as we can determine today, has not had a tremendous impact on energy production or energy purchases just yet," Secretary Brouillette said after a talk at the Atlantic Council on Friday, February 7. "For the moment the Chinese seem to have a clear indication of the virus itself, where it is, and are taking aggressive steps to control a potential outbreak."

"Some flights have been cancelled, some have been redirected," Brouillette continued. "If that continues for an extended period of time, we'll have to reevaluate the impacts on energy markets. But in the near term we're not seeing any dramatic effects."

Still, due to the substantial impact of the coronavirus on China's economic activity, the International Energy Agency (IEA) said last week that it expects global oil demand to drop 435,000 barrels per day (b/d) in the first quarter of this year compared to this time period one year ago, which would mark the first quarterly decline recorded in global demand in over a decade. The IEA also has cut its estimate for overall oil demand growth for the year by 365,000 barrels.

In addition, the U.S. Energy Information Administration (EIA) also has lowered its projections for global liquid fuel demand in its February *Short-Term Energy Outlook (STEO)* because of the coronavirus. EIA now says it expects global petroleum and liquid fuels demand will rise by 1.0 million b/d in 2020, which is lower than the forecast increase in the January *STEO* of 1.3 million b/d in 2020. The EIA estimates the coronavirus will reduce China's total petroleum and liquid fuels demand by an average of 190,000 b/d in 2020.

The coronavirus outbreak has also dampened China's demands for natural gas, which declined by 2 billion cubic meters by the end of the first week of February, according to a report published by energy research firm Wood Mackenzie. China had been forecasted to import 330 billion cubic meters of natural gas before the coronavirus outbreak. Now, with the spread of the virus, Chinese companies could be forced to defer or cancel LNG shipments,

FOLLOWING A WARM WINTER, NATURAL GAS PRICES PLUMMET

Natural gas prices this month have fallen to the lowest levels recorded in nearly 20 years, say analysts with the U.S. Energy Information Administration (EIA). This winter has brought particularly warm conditions, resulting in lower demands for natural gas which is often used to heat residences and homes. Because supply growth is outpacing consumption, the EIA indicates there has been a diminished need to withdraw natural gas from underground storage, pushing natural gas prices downward.

Citing data from Bloomberg, LP. and Federal Reserve Economic Data (FRED), the EIA reports the near-month natural gas futures price at the New York Mercantile Exchange (NYMEX) closed at \$1.77 per million British thermal units (MMBtu) on Monday, February 10 -- the lowest February closing price experienced since at least 2001, and the lowest near-month futures price in any month since March 8, 2016.

Nonetheless, natural gas production across the nation remains at record highs, with estimates from IHS Markit showing dry natural gas production averaged 95.0 billion cubic feet per day (Bcf/d) in January. This represents the third-highest monthly output of natural gas recorded in the United States.

Analysts project natural gas production will continue to rise, driven by production gains from development of tight and shale resources in the East, Gulf Coast and Southwest regions, including production growth from the Marcellus, Utica and Haynesville formations.

Increasing production of natural gas in the United States will also support rising exports of the natural resource, which the EIA suggests in new models will continue to experience growth. According to the EIA, both U.S. natural gas exports by pipeline and U.S. LNG exports continue to grow through 2030. "LNG exports account for most of the export growth because more LNG export facilities are becoming operational and more projects are under construction. EIA projects that LNG exports will almost triple, from 1.7 trillion cubic feet (Tcf) in 2019 to 5.8 Tcf in 2030, the equivalent of nearly 16 billion cubic feet per day (Bcf/d). LNG exports remain at this level through 2050 as U.S.-sourced LNG becomes less competitive in world markets and as more countries become global LNG suppliers."

DEPT. OF HOMELAND SECURITY ISSUES NEW ALERT OVER CYBERATTACKS TO U.S. PIPELINES

After a major cyberattack on a natural gas compression facility last week, the U.S. Department of Homeland Security's Cybersecurity and Infrastructure Agency (CISA) on Tuesday released a new alert warning pipeline operators of potential threats to critical systems and advising companies to take steps to mitigate future risks from cyberattacks in the future. Cyber intrusions can present serious operational risks for energy infrastructure and could jeopardize operations along with the ability to move energy products. Cyber attacks have become an increasing concern in recent years to energy companies, as technological advances present expanding risks to infrastructure security.

CISA said that last week's ransomware attack came from a malicious link included in an email, which allowed an adversary to access the facility's IT network and compromise the affected company's systems. The company elected to shutdown operations for two days as a result of the cyber attack, causing a loss of productivity and revenue through the disruption of the availability and integrity of its systems. "Although the direct operational impact of the cyberattack was limited to one control facility, geographically distinct compression facilities also had to halt operations because of pipeline transmission dependencies. This resulted in an operational shutdown of the entire pipeline asset lasting approximately two days," explained CISA leaders. Consequently, CISA is now strongly encouraging administrators and network defenders to take necessary steps to protect their organizations against similar ransomware attacks. Federal officials offer a number of resources on cybersecurity and protecting assets from destructive cyber events, available for review online at: <https://bit.ly/2HFgKJ5>.

NEW AUDITING PLATFORM FROM ENVERUS AND CONCHO RESOURCES TO HELP TEXAS OPERATORS

Oil and gas data firm Enverus, formerly Drillinginfo, has partnered with leading producer Concho Resources to provide a new auditing program that will ensure more accurate billing for Texas oil and gas companies. Audit Analytics, which relies on data from Enverus' OpenInvoice and OpenTicket applications, builds on Concho's proprietary vendor auditing program to quickly identify erroneous overbilling situations in high volume shale operations. Concho independently created the auditing application but Enverus provided Concho access to its application interface, letting the operator develop its application with Enverus data. Now, the two companies are ready to commercialize the audit system and make it more broadly available to help other operators in Texas with oversight of billing from other suppliers, from water haulers to chemical companies and other providers. This new solution demonstrates how business automation solutions and data can be paired to improve the modern energy value chain and reduce costs, according to the companies.

"Concho's ground-breaking work has already proven the ability to identify both unintentional billing errors and illicit activity which have significant financial benefit," said Chris Dinkler, senior vice president and general manager of Enverus' business automation division. "But we know there are thousands of businesses out there experiencing similar problems that need help identifying them. Audit Analytics will build on the wide market success of OpenInvoice and OpenTicket to quickly and efficiently address these opportunities with tremendous value impact for our industry."

"Operating efficiently is a key priority for Concho, and as part of our efforts to reduce costs, we developed a solution that identifies and mitigates vendor overbilling," Concho Resources President Jack Harper explained. "We are proud to work with Enverus to bring our system to market as Audit Analytics. We believe there is significant demand for this type of solution as other companies across our industry look to eliminate fraud and strengthen cost controls."

To learn more about the Audit Analytics program or understand how to begin using business automation solutions to identify erroneous or fraudulent activities, contact an Enverus representative via www.enverus.com.

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