



**Texas
Independent
Producers and
Royalty Owners
Association**

TIPRO REPORT LOOKS AT CHANGING DEMOGRAPHICS OF THE PERMIAN

While energy development in the Permian Basin continues to skyrocket, a new report by the Texas Independent Producers & Royalty Owners Association (TIPRO) takes a closer look at population, education, workforce, and demographic trends across multiple business sectors in the oil-and-gas rich region that spans across West Texas. In the past five years, communities situated in the heart of the Permian have experienced tremendous growth in population, as drilling in the nearby oil patch draws in new workers. TIPRO estimates that the overall residential population in the Permian grew approximately 3.3 percent between 2013-2018. Industries related to the energy sector – including oil and gas extraction, pipeline transportation and other support activities for mining – offer some of the strongest employment rates for those living in the Permian, though other industries like health care, retail services and construction also provide substantial levels of employment to residents in the area, TIPRO's report also shows.

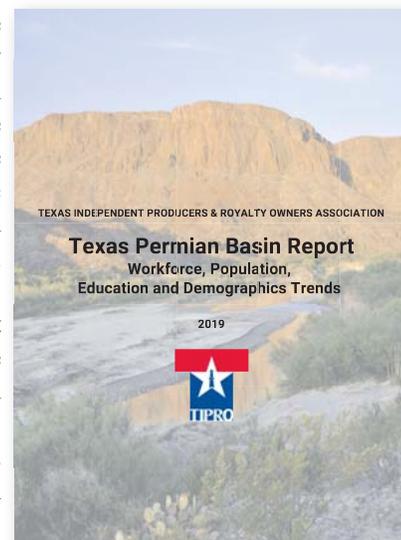
“Today, the Permian Basin is one of the world's top oil-producing regions. In just the past five years, oil output in the region has more than doubled. The growth of the oil and natural gas industry brings enormous opportunity and benefit to the Permian Basin, but that growth can also put a strain on infrastructure, education, health care and other areas essential to supporting the region and state across all industry sectors,” said TIPRO President Ed Longanecker. “Unique challenges also arise during a market downturn, something West Texans know all too well. Monitoring trends in the Permian Basin region is important in understanding the market factors that impact the economy and our fellow Texas citizens, as well as to further quantify the importance and influence of the oil and natural gas industry for our state and country.”

TIPRO's new analysis also shares insights on the education pipeline coming out of this vast portion of the state. The next generation of graduates from the Permian will hold an important role in serving the workforce needs that allow Texas to fully capitalize on the opportunities presented in the Basin. In 2017, there were approximately 34,555 graduates in the Texas Permian Basin region. This number has grown by 2 percent over the last five years. The highest share of these graduates came from the following disciplines: Liberal Arts and Sciences/Liberal Studies, Registered Nursing/Registered Nurse, and Medical/Clinical Assistant.

Other highlights from TIPRO's Permian Report include:

- In 2018, total population in the Texas Permian Basin region totaled 2,061,422. Regional population grew 3.3 percent over the last five years, with the addition of 65,942 new residents, and is projected to expand another 2.3 percent by adding 47,000 people by 2023.
- The region had 477,378 millennial (ages 20-34) residents last year.
- The top three industries in 2018 in the area were Education and Hospitals (Local Government), Restaurants and Other Eating Places, and Support Activities for Oil & Natural Gas.
- From 2013 to 2018, jobs increased by 7.1 percent in the Texas Permian Basin from 902,908 to 966,657. As the number of jobs has gone up, the labor force participation rate increased from 59.3 percent to 59.4 percent between 2013 and 2018.
- The Texas Permian Basin oil and natural gas industry has a jobs multiplier of 10.6 percent. The earnings multiplier for oil and gas in the region is 3.3 percent, and sales multiplier is 1.6 percent.
- In 2018, the Texas Permian Basin oil and natural gas industry purchased U.S. goods and services in the amount of \$20 billion from 974 business sectors, 45 percent of which came from within the region.
- Midland County has the highest percentage of occupied housing units (93.2 percent), followed by Ector County (90.3 percent), El Paso County (90.8 percent), Tom Green County (89.8 percent), Crane County (88.6 percent) and Gaines County (89.1 percent).

Download TIPRO's '2019 Permian Basin Report' by visiting <http://bit.ly/TIPRO2019PermianReport>. Discover other relevant industry reports with oil and gas insights by visiting the TIPRO website at www.tipro.org.



PRESIDENT'S MESSAGE

TIPRO Members,

With less than two weeks remaining in Texas' 86th Regular Legislative Session, our organization has been hard at work advocating for Texas lawmakers to approve sound public policy measures that will protect, promote and advance our industry, a commitment TIPRO has held since our association was formed in 1946.

Throughout the 2019 session, TIPRO's stellar team and active members of the association have helped to advance our priorities at the state capitol, meeting directly with legislators and their staff to express our association's positions on key bills that are under consideration by the legislature this year. On behalf of TIPRO's membership, I have also had the opportunity to provide testimony before House and Senate legislative committees on the top issues of concern for our members, including bills related to reducing the number of inactive wells in Texas, preventing royalty owner scams, supporting critical infrastructure development, and legislation to provide funding to expand and improve highways and public roads, increase law-enforcement and first responders salaries, and revitalize education and skilled-workforce opportunities by dedicating money to teachers, schools, colleges and universities, to name a few. In total, TIPRO has taken formal positions on over 40 bills and tracked hundreds more that pertain to the Texas oil and gas industry.

Over the past two weeks, there has been a significant amount of activity on TIPRO priority bills. On Thursday, May 16, House Bill 3838, known as the "Royalty Scam Bill," was heard in the Senate Committee on Natural Resources and Economic Development. TIPRO has worked closely with NARO TX, numerous operators and organizations to draft language that would garner broad industry support. As a result, House Bill 3838 passed the House with a vote of 138 to 5 in support. Also on Thursday morning, Chairman Brian Birdwell laid out a committee substitute for House Bill 3838, which added language from House Bill 3372, a bill that focuses on a practice known as "royalty suspense." The Texas Supreme Court issued an original opinion in *ConocoPhillips Co. v. Koopmann, No. 16-0662*, but then issued a revised opinion on rehearing after receiving a second round arguments from various parties, including requiring "clear language from the Legislature." House Bill 3372 is Chairman Craddick's attempt to provide clear language in law. The committee substitute, CSHB421, was left pending in committee.

Meanwhile, Representative Tom Craddick, chairman of House Land & Resource Management, has been actively meeting with stakeholders over the past two weeks to find a compromise on Senator Kolkhorst's eminent domain legislation, Senate Bill 421, which industry strongly opposes. This week, Chairman Craddick reached an agreement on a committee substitute with various oil and gas related organizations, but several entities that support the original bill have not yet agreed to the changes. The committee substitute language addresses primary issues of importance to stakeholders involved throughout the negotiations, including the initial offer, easement terms, and landowner meeting, but it would make the changes much easier to implement. The committee substitute language is available upon request. Meanwhile, on Thursday Senator Kolkhorst amended House Bill 1211 in the Senate State Affairs Committee with language from Senate Bill 421, which TIPRO opposes.

To celebrate the end of the 86th Texas Legislative Session, TIPRO will be hosting an Energy Sine Die Reception in Austin on May 27th from 5 pm – 7 pm on the first floor of 919 Congress Avenue. The event is by invitation only and registration is required. Please let me know if you're available to attend.

Whether at the Texas legislature, through our regular interaction with various agencies, or other functions being held across the state, TIPRO remains dedicated to our core mission. If not already engaged, I encourage members to become more involved with us by participating in TIPRO's state issues committee and regulatory committee, as well as signing up to receive TIPRO's 'Week in Review' eblast, for frequent updates on TIPRO's policy activities.

Regards,

Ed Longanecker



Ed Longanecker

TEXAS GOVERNOR SIGNS OFF ON INACTIVE WELL LEGISLATION

On Tuesday, May 7, Governor of Texas Greg Abbott signed into law Senate Bill 533, legislation which provides relief to Texas oil and gas operators bringing inactive wells back into operation. The bill modifies the state tax code to suspend severance tax payments for returning wells if they have not produced oil or natural gas for more than one month in the previous two years or more. Senate Bill 533 has been a priority for TIPRO this session and was supported by the organization throughout the entire legislative process. The bill will go into effect September 1, 2019.

TIPRO Calendar of Events

<p>JUNE 12, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>JULY 10, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>AUGUST 7-9, 2019 SAN ANTONIO — TIPRO's 2019 Summer Conference, Hyatt Hill Country Resort. For info, call: (512) 477-4452.</p>	<p>AUGUST 14, 2019 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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PROTESTORS COULD FACE FELONY CHARGES FOR PIPELINE DAMAGE UNDER BILL PASSED BY TEXAS HOUSE

Legislators in the Texas House voted to pass a bill Tuesday, May 7th that makes intentional damage caused to critical private property infrastructure -- such as oil and natural gas production, electrical power generation, water treatment and telecommunications facilities -- a third degree felony in the state of Texas. House Bill 3557 by Representative Chris Paddie establishes criminal punishment for subjects that trespass, damage or destroy critical infrastructure, enhancing safety and security of facilities. The measure targets protests seen in other parts of the country, such as those against the Dakota Access oil and Keystone Pipelines, which spiraled out of control.

Since passing out of the House last week, the bill has since been referred to the Senate Natural Resources Committee, which took up the legislation for consideration during a public hearing on May 15th and left the bill pending in committee.

TEXAS COMPTROLLER BOOSTS REVENUE ESTIMATE FOR STATE FUNDS BY A HALF BILLION DOLLARS

As the legislature wraps up its work in Austin for the 2019 Regular Legislative Session, state comptroller Glenn Hegar has gifted lawmakers an additional \$518 million by increasing his original estimate of revenue tied to the current biennium. The comptroller notified legislators on Tuesday, May 14, he was boosting his initial projected ending balance of revenue available for general-purpose spending from the 2018-19 biennium, informing officials that he expects the 2018-19 ending balance to be slightly more than \$4.7 billion. In January, at the beginning of the legislative session, the comptroller had initially estimated \$4.2 billion in balances would be available from the 2018-19 biennium, for legislators to use towards general-purpose spending in 2020-21. Now, it appears more revenue should be available for state funds, in part thanks to higher levels of revenue generated from energy development activities in the state.

"Some of the increased revenue projected for fiscal 2019 is attributable to upwardly revised estimates of oil and natural gas production tax collections. Consequently, I now expect to transfer \$1.67 billion each to the State Highway and Economic Stabilization Funds in fiscal 2020, an increase of \$266 million per fund from my previous estimate," said Comptroller Hegar. "Not counting appropriations from the Economic Stabilization Fund by the 86th Legislature, I now expect its balance to be \$15.62 billion at the end of the 20-21 biennium," he added.

In spite of the larger revenue estimate, lawmakers still face challenging budgetary decisions in the final weeks of the 2019 Legislative Session. Costly budget drivers including school finance reform and changes to property taxes are being hammered out, which will influence spending mechanisms for the following biennium.

EPA SEEKS PUBLIC INPUT ON DRAFT OIL & GAS WASTEWATER STUDY

The U.S. Environmental Protection Agency (EPA) is now accepting public input on its draft study reviewing regulatory management of wastewater produced during oil and gas development activities. The agency has been working on its assessment over the past year to offer a holistic view of the current state of regulation and management of wastewater from the oil and gas industry. The EPA study also seeks to provide insight into how extracted wastewater might be returned to beneficial use in the water cycle in the future.

"EPA's draft study leverages the expertise of states, industry, and others in determining the opportunities and challenges surrounding the beneficial reuse of wastewater from the oil and gas sector," said EPA Office of Water Assistant Administrator David Ross. "EPA looks forward to continued public engagement regarding practical, environmentally-sound approaches to encouraging greater reuse and more holistic management of this water."

In preparing its study, the EPA has already worked proactively since last May to solicit widespread feedback from state, industrial, academic, environmental, tribal, public health and other entities. This effort included meeting with individual entities and groups, including TIPRO who hosted a meeting last summer between agency staff and members of the association to review the EPA study and its research as it related to wastewater management activities for the oil and gas industry in Texas. The EPA also previously collected written input through a public docket on [regulations.gov](https://www.regulations.gov), and hosted a national public meeting in October 2018 to report on what EPA had learned to date and to provide stakeholders an additional opportunity to provide input.

The public now has until July 1, 2019, to submit comments relating to the EPA's draft study. In their feedback, the EPA is calling on members of the public to specifically address the following questions:

- What non-regulatory steps should EPA take to encourage re-use/recycle of produced water?
- Considering the cost of transporting and treating produced water, would revising 40 CFR Part 435 to allow for broader discharge of produced water shift the manner in which produced water is currently handled?
- Should EPA continue to distinguish between discharges from onshore oil and gas facilities located East and West of the 98th meridian or establish a national policy irrespective of geographic location?
- What steps could EPA take that might incentivize re-use of produced water within and outside of the oilfield?

Stakeholders may provide their input by emailing oil-and-gas-study@epa.gov. After consideration of the public feedback received relating to the assessment, the agency says that it intends to finalize its study later this summer. At that time, the EPA will determine what, if any, future agency actions are appropriate to encourage the beneficial reuse of oil and gas extraction wastewater under the Clean Water Act, which could include recommendation of regulatory and/or non-regulatory approaches.

Find additional information the EPA's draft study by visiting the following website online: <https://bit.ly/2EdiY1d>.

BILL IN CONGRESS WOULD REINSTATE METHANE REGULATIONS FOR OIL & GAS SECTOR

Legislation introduced in Washington D.C. this week seeks to reinstate federal rules regulating methane emissions from oil and gas operations, essentially bringing back two Obama-era methane control rules promulgated in 2016 that have since been repealed by the Trump Administration. Congressman Diana DeGette (D-Colorado), a member of the House Natural Resources Committee, unveiled the bill Tuesday, May 14, which would require all oil and gas producers in the U.S. to take steps to capture any methane gas that reaches the surface at their well sites, instead of burning it off or simply letting it leak into the atmosphere.

“If we’re going to be serious about fixing the climate crisis, we have to be serious about curbing the release of methane into the atmosphere,” Representative DeGette said. “We should be capturing and using this extremely valuable resource, not allowing the worst actors in the oil and gas industry to release it into the atmosphere where it’s going to harm future generations.”

The bill, filed as the “Methane Waste Prevention Act,” mandates producers to capture 85 percent of all gas produced on public lands within three years of enactment, and 99 percent of all gas produced on such lands within five years of enactment. The legislation would also ban the venting of any natural gas on public lands, and prohibit methane flaring at any new wells established two years after the bill is passed. A copy of the proposed legislation can be viewed at the link that follows: <https://bit.ly/30mdeeW>.

Just this past Fall, the Interior Department’s Bureau of Land Management (BLM) finalized its reversal of federal guidelines adopted in 2016 which enforced similar requirements as those now being sought by Representative DeGette. As part of its decision-making process, leaders of the BLM last September acknowledged the prior methane regulation was an over-extension of legal authority held by the federal government, which also imposed undue burden on the private sector at a time when investment in onshore oil and gas development was skyrocketing.

SENATOR CORNYN SPEARHEADS RENEWED PUSH TO REFORM THE ENDANGERED SPECIES ACT

In mid-May, U.S. Senator for Texas John Cornyn introduced legislation in the 116th Congress to increase transparency behind closed-door Endangered Species Act (ESA) court settlements between special interest groups and the U.S. Fish & Wildlife Service (USFWS). Cornyn’s bill, Senate Resolution 1426, strives to establish what he calls “commonsense reforms” that also would provide states, counties and other affected parties with a larger say during litigation processes for ESA settlements. The proposed policy, which has been co-sponsored by eight other GOP senators, would block payment of legal fees incurred as part of a case resolved through a consent decree or settlement. Senator Cornyn has filed similar legislation in prior sessions of Congress, though none of the bills were successfully passed into law. The senator’s resolution comes up for debate as the USFWS and NOAA Fisheries near the final stages of advancing regulatory changes to ESA rules for the first time in 30 years.

TARIFF TROUBLES ESCALATE BETWEEN U.S. AND CHINA

China said on Monday, May 13th it will impose higher tariffs on \$50 billion worth of American products, including additional levies that will be applied against U.S. liquefied natural gas. The decision out of Beijing is a retaliatory move against the United States, which had announced last Friday, May 10th that it was raising tariffs on \$200 billion a year worth of Chinese goods.

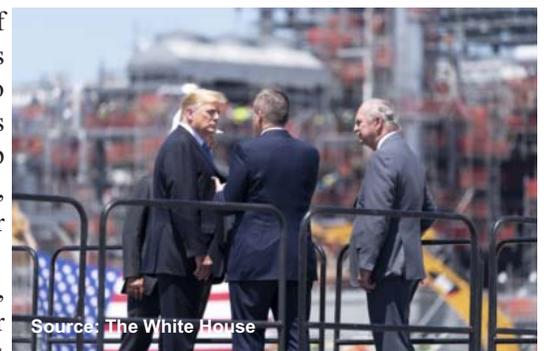
The country’s Finance Ministry said it will hike tariffs on U.S. LNG exports from 10 percent up to 25 percent beginning on June 1, 2019. For now, the Chinese tariffs do not apply to U.S. crude oil, though as trade talks continue in the future, it could be a tool used by officials to leverage the negotiations.

PRESIDENT TRUMP PROMOTES AMERICAN ENERGY DURING A VISIT TO LOUISIANA LNG PLANT

During a speech this week, President Donald Trump touted accomplishments of America’s energy industry, celebrating the remarkable success of the country’s oil and gas sector since he took office a few years ago. The president was in Louisiana Tuesday to tour Cameron’s new liquefied natural gas (LNG) export terminal, which has just started its first production of LNG to export. During his stop at the LNG plant, President Trump promoted the opportunities afforded as a result of today’s regulatory environment, arguing that his White House is helping energy companies get things done that other administrations would have otherwise stood in the way of.

“In Louisiana, Texas, New Mexico, Colorado, North Dakota, Ohio, Pennsylvania, and states all across our land, workers like you are lighting up our homes, powering our factories, and reducing energy costs for hardworking American families,” said President Trump. “You are not only making our nation wealthier, but you are making America safer by building a future of American energy independence. We are independent. We don’t need anybody.”

During his remarks at the LNG facility, the president also commended America’s energy producers for reversing trends and enabling the nation to now satisfy its own energy demands. “Instead of relying on foreign oil and foreign energy, we are now relying on American energy and American workers like never before. The energy we produce here in our country is better, cheaper, and cleaner than our foreign competitors, and it’s not even close. You people know that better than anybody; that’s your business.”



ARMED DRONES STRIKE SAUDI OIL PIPE, PROMPTING CONCERNS GLOBALLY

Terrorist groups used armed drones to strike a major oil pipeline in Saudi Arabia on Tuesday, May 14, leading to a rise in oil prices this week. The attack was believed to have been caused by Iran-backed Houthi militias in Yemen, according to the country's state news service. The incident follows an earlier attack made the day prior against two of Saudi's oil tankers, amid escalating tensions in the Persian Gulf. One of the oil tankers was intended to be loaded with crude oil bound for the United States. "This attack aims to undermine the freedom of maritime navigation, and the security of oil supplies to consumers all over the world," Saudi's press agency reported the nation's energy minister as saying.

The U.S. government is keeping a close eye on the situation as tensions in the region rise. "The Department of Energy is aware of efforts to disrupt oil shipping as reported by the governments of Saudi Arabia and the United Arab Emirates. The department is monitoring the oil markets, and is confident they remain well-supplied," commented U.S. Department of Energy Press Secretary Shaylyn Hynes.

OCCIDENTAL PETROLEUM TO ACQUIRE ANADARKO AFTER CHEVRON DROPS ORIGINAL BID FOR COMPANY

In an unusually public bidding war, Occidental Petroleum has beat out Chevron to acquire the highly-prized Anadarko Petroleum Corporation. After Chevron initially secured an agreement in April to take over Anadarko, Occidental submitted a revised proposal offering premium value to acquire the company, compelling Anadarko executives to reconsider their options. Following Occidental's higher offer for Anadarko, Chevron elected not to counter. "Winning in any environment doesn't mean winning at any cost. Cost and capital discipline always matter, and we will not dilute our returns or erode value for our shareholders for the sake of doing a deal," commented Chevron's Chairman and CEO Michael Wirth. "Our advantaged portfolio is driving robust production and cash flow growth, higher investment returns and lower execution risk. We are well positioned to deliver superior value creation for our shareholders."

Accordingly, on May 10, company leaders announced that instead Occidental Petroleum will acquire Anadarko Petroleum Corporation, in a deal valued at \$57 billion. "This exciting transaction will create a global energy leader with a world-class portfolio, proven operational capabilities and industry leading free cash flow metrics," said Vicki Hollub, President and Chief Executive Officer of Occidental.

The acquisition is one of the largest in oil and gas history. Anadarko's valuable positioning in the Permian was a primary driver of the blockbuster deal, allowing Occidental to solidify its title as king of the Permian Basin.

Under terms of the initial agreement, Anadarko will be forced to pay a \$1 billion cash fee to terminate its prior contract with Chevron.

EXXONMOBIL ANNOUNCES \$2 BILLION EXPANSION OF BAYTOWN PETROCHEMICAL PLANT

With a pledge to invest \$2 billion to expand its Baytown, Texas chemical plant, TIPRO member company ExxonMobil announced plans on May 2nd to grow its operations along the Gulf Coast. The expansion project, expected to be completed by 2022, will create approximately 2,000 jobs during construction of new units at the facility, the company estimates, and will generate other significant economic growth to the region.

ExxonMobil Chairman and Chief Executive Officer Darren W. Woods said, "Our Baytown chemical expansion will put us in a solid position to maximize the value of increased Permian Basin production and will deliver higher-demand, higher-value products produced at our Gulf Coast refining and chemical facilities."

Exxon's Baytown facility -- the largest integrated petrochemical complex in the U.S. -- includes a refinery, chemical plant, olefins plant, plastics plant and global technology center. The expansion project will add a new Vistamaxx™ performance polymer unit, which produces products that offer higher levels of elasticity, softness and flexibility, attributes that contribute to a reduction in materials used and increases performance in everyday products, describes the company. Exxon also intends to build a separate new unit to allow production of linear alpha olefins, which are used in a variety of different capacities, including high-performing engine and industrial oils, waxes and building blocks for surfactants, polyethylene plastic for packaging, and other specialty chemicals.

"Global demand for chemicals is expected to be greater than energy demand growth and GDP growth over the next 20 years," Woods noted.

The expansion of Exxon's Baytown plant comes in addition to the company's \$20 Billion 'Growing the Gulf' initiative unveiled in 2017 to build and expand 11 manufacturing facilities over the next 10 years, creating thousands of jobs and billions of dollars' worth of economic activity.

PRESIDENT, CONGRESSIONAL LEADERS SEEK \$2 TRILLION BIPARTISAN DEAL ON INFRASTRUCTURE

President Donald Trump has struck an agreement with Democratic lawmakers in Congress to work on solutions to improve infrastructure around the country. Speaker of the U.S. House Nancy Pelosi (D-California) and U.S. Senate Minority Leader Charles Schumer (D-New York) met recently with the president in the Oval Office in the first sit-down meeting to be held between the leaders since the government shutdown last winter. The focus of the talks was a nationwide infrastructure package overhauling U.S. roads, bridges, waterways and broadband. After the sit-down between the three leaders concluded, Senator Schumer told members of the press that there was "good will" on all sides toward coming together to craft a major piece of legislation on infrastructure. With a price tag of \$2 trillion, however, the officials reportedly did not yet establish how the infrastructure plans would be funded.

President Trump is expected to meet again with Speaker Pelosi and Senator Schumer this month to continue the conversation over funding mechanisms to pay for the infrastructure initiative.

VICE PRESIDENT PENCE SUGGESTS TRUMP ADMINISTRATION COULD TAKE ON DISTRICT COURTS

Speaking to a crowd of conservative legal practitioners, U.S. Vice President Mike Pence proposed the Trump Administration may soon pursue actions to try to limit injunctions issued by district courts preventing the adoption of federal policies. At an event in Washington, D.C. last Wednesday, May 8, the vice president told members of the Federal Society that rulings from lower courts were blocking initiatives benefiting the country, and as a result, the administration will seek opportunities to bring concerns over this matter before the U.S. Supreme Court. “Nationwide injunctions issued by federal judges prevent the Executive Branch from acting, compromising our national security by obstructing the lawful ability of the president to stop threats to the homeland, where he sees them. These injunctions undermine the rule of law and the separation of powers that are central to our nation’s founding, that lie at the very heart of our Constitution,” argued Vice President Pence. “And so I say to all those gathered here, for the sake of our liberty, our security, our prosperity, and the separation of powers: This era of judicial activism must come to an end.”

ROBERT WALLACE NOMINATED TO BECOME NEXT ASSISTANT SECRETARY OF USFWS

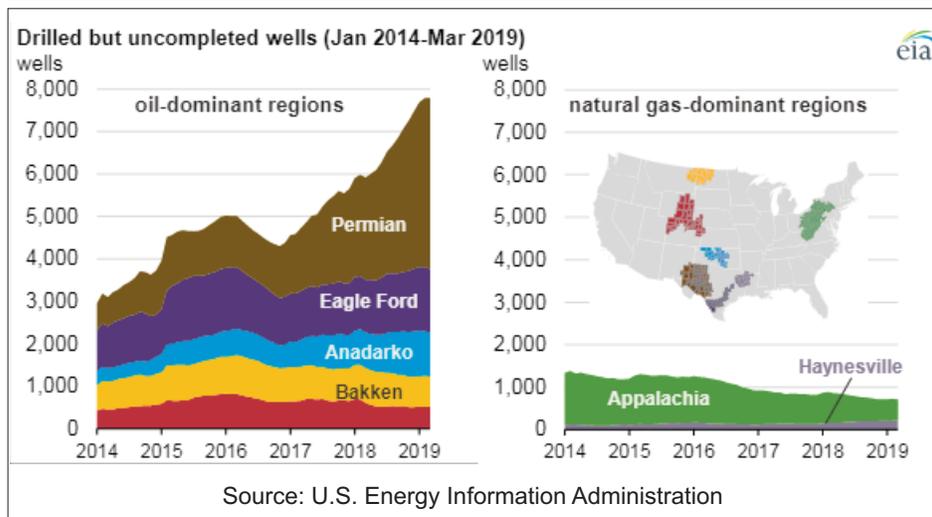
In early May, President Donald Trump nominated Robert Wallace to serve under his administration as assistant secretary for Fish, Wildlife, and Parks at the U.S. Department of Interior. Wallace currently works in the private sector as president and co-founder of the Upper Green River Conservancy, a collaborative partnership of energy companies, ranchers and conservation stakeholders working towards a common goal of protecting habitat of the Greater Sage Grouse in Wyoming. Wallace previously served as manager of government relations for GE Energy, where he co-chaired the Government Relations Operating Council, which coordinated the company’s energy advocacy throughout the world. Earlier in his career, Wallace built extensive experience working in public service and for the U.S. government. He served as chief of staff and legislative aide to United States Senator Malcolm Wallop, chief of staff to Wyoming Governor Jim Geringer, and was the Republican staff director of the Senate Committee on Energy and Natural Resources. He later was appointed assistant director of congressional and legislative affairs at the National Park Service in Washington, D.C.. Wallace holds a B.S. in petroleum engineering from the University of Texas at Austin.

“Rob Wallace has a long track record of leadership on National Park Service and Fish and Wildlife Service issues,” said U.S. Secretary of the Interior David Bernhardt. “He will be a fantastic asset to the Department of the Interior, and I urge the Senate to confirm him quickly.”

U.S. Senator for Wyoming John Barrasso also offered praise for the president’s selection for this key role at the Interior. “Throughout his long and distinguished career, Rob has demonstrated an unwavering dedication to striking the proper balance between wildlife conservation, habitat management, and use of our public lands. His experience and leadership in Wyoming and in our nation’s capital are ideally suited for this critically important job. I look forward to holding a hearing on Rob’s nomination and confirming him quickly.”

Wallace must be confirmed by the U.S. Senate before he can take over as assistant secretary for fish, wildlife and parks.

U.S. SEES HIGH LEVEL OF DRILLED BUT UNCOMPLETED WELLS (DUCs)



Recent data published by the U.S. Energy Information Administration (EIA) indicates that the number of drilled but uncompleted (DUC) wells in the United States has gone up 26 percent in the past year.

DUC wells are those oil and natural gas wells that have been drilled by a producer but not undergone the well completion process necessary to begin output of hydrocarbons. There are a number of reasons as to why a producer may elect not to finish a well, most of the time driven by economic factors or other resource constraints. “A low oil and natural gas price environment may postpone well completion activities in areas where the wellhead break-even price is too high relative to the current market price,” explains the EIA. “Another example

may be the lack of available well completion crews to perform hydraulic fracture activities in areas of high demand. Takeaway capacity, or the ability to transport hydrocarbons through pipelines away from the resource, may also place additional constraints when pipeline networks are insufficient to accommodate supply.”

The EIA’s most recent DUC count in March of this year totaled 8,500 wells, though generally, the number of DUCs has climbed over the last two years, according to the EIA. A majority of DUC wells today are located in oil-rich formations, with the Permian Basin accounting for nearly half of the total DUC oil wells in the country. The number of DUC wells in natural gas-dominated regions, however, have steadily gone down in recent years. The Appalachian and Haynesville regions have nearly cut in half DUC well counts over the past three years, says the EIA, decreasing from 1,230 wells in March 2016 to 713 wells in March 2019.

By 2020, U.S. Oil Production to Top 13 Million Barrels a Day, Estimates EIA



Domestic production from U.S. oil fields is expected to jump to over 13.4 million barrels per day (bpd) by next year, indicates a new production forecast from the U.S. government. The U.S. Energy Information Administration (EIA) predicted in its latest outlook released May 7th that by 2020 rising oil output from the Permian Basin and other shale plays will position the United States to grow its production levels as much as 19 percent over the average 11 million bpd of oil produced in the U.S. during 2018. EIA analysts said they have revised upward their production projections from as recent as April due to an expected uptick in drilling activity through the rest of this year in the United States. Natural gas production in the United States is also projected to increase, averaging 92.2 billion cubic feet a day in 2020, representing an 11 percent increase over last year's average, said the EIA.

Already, in the past year, the nation has impressively expanded its production levels. Annual U.S. crude oil production reached a record level of 10.96 million barrels per day (b/d) in 2018, approximately 17 percent higher than 2017 levels. Natural gas output also grew 12 percent in 2018 as compared to 2017.

The state of Texas continues to supply a substantial volume of the country's total produced oil and natural gas. Texas crude oil production averaged 4.4 million b/d in 2018, reported the EIA, and reached a record-high monthly production level of 4.9 million b/d in December 2018. Texas's 2018 annual production increase of almost 950,000 b/d—driven largely by rising output from the Permian Basin in West Texas—was nearly 60 percent of the total U.S. increase, according to EIA data. Meanwhile, between March of 2018 and February of 2019, natural gas production in Texas totaled 8.9 trillion cubic feet of gas, as reported by the Texas Railroad Commission. Average daily production as of February was 22,105,828 mcf, up from 18,907,758 mcf produced daily in Texas in February 2018.

In 2018, U.S. Oil Producers See Most Profitable Year Since 2013

With the United States hitting record levels of oil production in 2018, producers drilling in America's shale formations last year were likely the most profitable as they have been in five years, a new assessment from the U.S. Energy Information Administration (EIA) suggests. The EIA reviewed net income reported to the U.S. Securities and Exchange Commission by 43 U.S. oil producers, which the agency says together accounted for approximately one-third of total U.S. crude oil and natural gas liquids production in the fourth quarter of 2018. According to the EIA, lower production costs per barrel of oil equivalent (BOE) and increased production levels allowed these energy companies to experience a higher return on equity for the fourth quarter of 2018 than in any quarter from 2013 through 2018.

“The annual average West Texas Intermediate (WTI) crude oil price increased 28 percent from 2017 to average \$65 per barrel in 2018, but expenses directly related to upstream production activities increased 16 percent between 2017 and 2018 to \$24/BOE. When including depreciation, impairments, and other costs not directly related to upstream production, expenses for these 43 companies averaged \$48/BOE in 2018, the lowest amount from 2013 to 2018,” observed EIA experts. “In contrast to production expenses, between 2017 and 2018, upstream revenue for these 43 companies increased 31 percent to average \$48/BOE in 2018, mainly because of the increases in average energy prices and production. As crude oil prices fell in late 2018, their upstream revenue declined 11 percent between the third and fourth quarters of 2018.”

Plains Cactus II Pipeline to Begin Serving the Permian Later This Year

Leaders of Plains All American announced in May that the company's Cactus II Pipeline is on track to begin partial service later this year, which will provide much-needed relief to West Texas producers needing to transport oil out of the Permian to other markets. The new Cactus II pipe system, which will have a capacity of transporting 670,000 barrels of crude oil per day, will deliver crude oil from Wink, Texas - situated about 75 miles outside of Midland - to Corpus Christi, Texas. Meanwhile, full service for the Cactus II pipeline is expected to become available in the first quarter of 2020, reported Chief Executive Officer Willie Chiang during the company's recent earnings call in early May.

While construction of the new Permian pipeline is running on schedule, executives acknowledged how the rapid push to bring new pipelines online in the region have contributed to swelling costs for associated projects. “We are seeing some cost pressure on both the material and labor side of the (Cactus II) project,” Plains Chief Operating Officer Chris Chandler said.

Over the last five years, Plains has invested more than \$3 billion in organic growth and acquisitions in the Permian Basin, and will dedicate an additional \$2+ billion to further expand its asset footprint including takeaway capacity from the Permian Basin to major markets and export facilities, according to the company.



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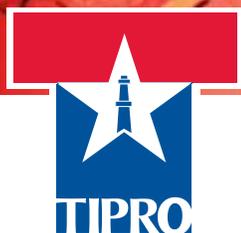
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