



**Texas
Independent
Producers and
Royalty Owners
Association**

BSEE REFORMS INDUSTRY RULES FOR OFFSHORE OPERATIONS

Following the lead of the U.S. Bureau of Land Management (BLM) and U.S. Environmental Protection Agency (EPA), both of which recently have overhauled industry regulations, the U.S. Bureau of Safety and Environmental Enforcement (BSEE) has taken action to update regulatory standards for the oil and gas industry, implementing reforms that will encourage responsible energy exploration and production

offshore while also ensuring operations remain safe and environmentally responsible. The bureau announced on September 27th final amendments to its Oil and Gas Production Safety Systems Rule (subpart H), which addresses safety and pollution prevention equipment, subsea safety devices and safety device testing for the production of oil and gas resources on the Outer Continental Shelf (OCS). The regulatory updates will revise or remove provisions that have created unnecessary burden for oil and natural gas production operators, many of which that were promulgated in a 2016 rulemaking under the previous administration. However, since that time, officials have found that implementation of such provisions has not provided a meaningful increase in the safety of workers nor necessarily added protection of the environment, though the policy has created unduly burdensome requirements on the regulated community.

“BSEE has incorporated industry innovation, best science and best practices in the Oil and Gas Production Safety Systems Rule to ensure safety and environmental sustainability,” commented BSEE Director Scott Angelle. “When critical energy resources are produced safely and responsibly, we build a stronger energy future for the nation. We can achieve robust energy production only if operations are conducted in a safe and environmentally sustainable manner.”

According to the bureau, in accordance with Executive and Secretarial Orders issued in 2017, BSEE carefully analyzed all 484 provisions in the original 2016 Production Safety Systems Rule and determined that 84 of those provisions were appropriate for revision or deletion. “BSEE approached revising the 2016 Production Safety Systems Rule with a thoughtful and laser-like focus,” said Angelle. “The review team, comprised of career subject matter experts, used a scalpel, rather than a chainsaw, to make these revisions.” Following extensive review, in December 2017, BSEE published in the Federal Register a proposed rule to revise certain provisions in the subpart H regulations, and solicited public comment on ways to clarify or correct existing government requirements.

Now, the BSEE has adopted reforms to the rule that accomplish the Trump Administration's objective of facilitating energy dominance though encouraging increased domestic oil and gas production by reducing unnecessary burdens on stakeholders while maintaining or advancing the level of safety and environmental protection. The agency emphasizes nothing in the final rule will alter any elements of other rules promulgated since the Deepwater Horizon incident. In addition, the new regulation also codifies 12 updated industry standards, which will now become enforceable requirements that operators, lessees and other regulated parties must comply with.

The rule will take effect December 27, 2018. To learn more, visit: <https://bit.ly/2xWRxEJ>.

GOOD-BYE NAFTA: UNITED STATES, CANADA, MEXICO REACH AGREEMENT TO REPLACE TRADE DEAL

On Monday, October 1, 2018, the White House announced the successful completion of negotiations between the United States, Mexico and Canada to modernize and rebalance trilateral trade agreements, replacing the 24-year-old North American Free Trade Agreement (NAFTA) with a new deal that is being called the United States-Mexico-Canada Agreement (USMCA). “USMCA is a great deal for all three countries, solves the many deficiencies and mistakes in NAFTA, greatly opens markets to our farmers and manufacturers, reduces trade barriers to the U.S. and will bring all three great nations together in competition with the rest of the world,” proclaimed President Donald Trump.

“The conclusion of negotiation talks with Canada to form the USMCA comes at a unique time in our country’s history as the United States becomes the largest producer of oil and natural gas in the world,” remarked TIPRO President Ed Longanecker. “Energy integration with Mexico, the United States and Canada has been a success story that has led to the creation of many new opportunities to improve trade relations across North America. TIPRO has advocated for several items that have been included in the USMCA, including continued zero tariffs on oil and natural gas products and the preservation of investor-state dispute settlements (ISDS), a key provision that serves to protect multi-national companies that invest abroad. While ISDS will be phased out for Canada, they will be included in four areas of investment in Mexico, including oil and gas, power generation services, telecommunication services, transportation services, and the ownership or management of infrastructure.”

Leaders of the United States, Mexico and Canada are expected to sign the trade pact before the end of the year, though Congress first will need to approve the trade agreement as will the legislative bodies in Mexico and Canada.

PRESIDENT'S MESSAGE

TIPRO Members,

The oil and natural gas industry welcomed a recent announcement from the U.S. Interior Department (DOI) unveiling final revisions to an Obama-era rule aimed at curbing methane emissions from oil and natural gas operations on federal lands. The revised rule does away with the requirements related to waste minimization plans, gas-capture, drilling and completions, and equipment, including pneumatic controllers, pumps, storage vessels and leak detection and repair. While only 1.5 percent of land in Texas is owned by the federal government, this move is nevertheless significant for the U.S. oil and gas industry and for many TIPRO members that also operate on federal land outside of our state.

DOI states that many of the rescinded provisions of the 2016 rule focused on controlling emissions from sources and operations, which are regulated by the Environmental Protection Agency (EPA) under the Clean Air Act. Many of the provisions of the 2016 rule also exceeded the Bureau of Land Management's (BLM) statutory authority to regulate for the prevention of "waste" under the Mineral Leasing Act (MLA). In adopting an interpretation of "waste" that is not informed by the economics of capturing and marketing gas on federal lands, the 2016 rule ignored the longstanding concept of "waste" in oil and gas law, which Congress adopted in enacting the MLA. Oil and gas law applies a "prudent operator" standard to oil and gas lessees, thereby imposing an obligation or reasonable diligence in the developing and marketing of oil and gas from the lease.

There were long-standing concerns over the legality of the rule and its authority under the MLA. The new rule takes away the "overlap" that the 2016 rule had with EPA, states and tribes. EPA already regulates air under Quad O and Quad Oa, and the majority of the states already have rules on the books that regulate venting and flaring activities. The new rule also recognizes the authority of the EPA and the states and reflects the unique nature of oil and gas production in each state.

Over 99 percent of onshore federal production comes from nine states (NM, WY, CA, MT, TX, AK, OK, CO, ND) and they all have updated their rules within the past couple of years. When there is no updated state rule, EPA's NTL-4a is in effect.

BLM was also concerned about the impact the rule would have on marginal well production. Approximately 73 percent of wells on onshore federal lands are marginal and the 2016 rule requirements placed a particular compliance burden on operators of those wells. The agency believed there was a substantial risk that many of these wells would not be economical to operate with the additional compliance costs. BLM reviewed the requirements from the 2016 regulation and determined that the agency's estimate for the 2016 Obama Rule was \$1.3 - \$1.6 billion over 10 years, which would have forced many operators to shut-in production.

As I referenced in a recent article entitled "Rollback of Venting/Flaring Rule Should Spare Thousands of Marginal Wells," this represents a continued commitment by this administration to work cooperatively with the states to provide regulatory certainty for our industry and do away with unnecessary, duplicative or onerous regulations at the federal level. The new rule recognizes that marginal wells can become economically unviable if new rules are too costly, that they have a low potential for emissions, proportionate with their low production. While the impact again is minimal in Texas, this effort is in line with TIPRO's ongoing work to protect the viability of marginal well production and to prevent overbearing regulations on oil and gas operations.

Texas is home to approximately 130,000 marginal wells, which produce 10-12 percent of the total oil and natural gas in the state. It's also interesting to note that roughly one-third of wells (20,731) currently producing on state-owned lands in Texas are considered marginal wells. The majority of oil and natural gas royalties generated from state lands goes to the Permanent School Fund and Permanent University Fund, but other areas of the state also benefit including the State Highway Fund, Game, Fish and Water Safety, and State Parks Fund, to name a few. Supporting continued marginal well production is important for our state budget, education funding and overall domestic oil and gas supply.

TIPRO is working on a similar path with the new improvements announced recently by EPA for the 2016 New Source Performance Standards (NSPS) for the oil and gas industry, including a consistent call for the exclusion of low production well sites given the significant difference in production and reservoir pressure compared to higher volume wells. Low production wells should have never been subjected to the same requirements under the NSPS. The NSPS regulatory package is expected to save up to approximately \$484 million in regulatory costs from 2019 – 2025 or \$75 million annually. TIPRO commends EPA for their efforts to alleviate red tape and remove unnecessary and overly burdensome federal methane regulations for domestic oil and natural gas producers.

TIPRO members produce approximately 90 percent of all oil and natural gas in our state and we are proud to support the state's nearly 2 million royalty owners. With your support, our organization will continue to advocate for sound, science based policies at all levels of government on behalf of our members and industry. Thank you.



Ed Longanecker

TIPRO Calendar of Events

<p>NOVEMBER 14, 2018 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>DECEMBER 12, 2018 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>JANUARY 9, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>FEBRUARY 13, 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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SENATOR HUFFINES CALLS FOR EMERGENCY HEARING TO REVIEW ELECTION SECURITY IN TEXAS

With early voting for this year's General Election set to begin in a matter of weeks, state Senator Don Huffines has called for an emergency hearing of the Senate Select Committee on Election Security, which he says is necessary to allow lawmakers to explore allegations of potential illegal voting activity in Texas. Amid higher levels of voter registration, Senator Huffines has requested in a letter to the Select Committee's Chairman Senator Bryan Hughes that the panel should convene specifically to examine voter registration abuse and possible voting by non-citizens. The senator cites claims from grassroots groups that more than 4 million registered voters' identifications cannot be verified by the Department of Public Safety's records, and research indicating 280,000 registered voters were not citizens at the time DPS issued them an identification card. "Voter registration and voting by non-citizens is illegal and unacceptable. It casts doubt on our system of elections and causes voters to question whether their vote is counted as they intend it, without being cancelled out by an illegal vote. Voters deserve answers now, yet election officials' silence is deafening," stated the senator.

He continued, "State and county election administrators should be compelled to answer questions on the record and under oath... the failure to prosecute illegal voting is just as troubling as the failure to enforce state law that limits the right to vote to U.S. citizens only. The numbers of non-citizens registering to vote and casting ballots is disturbing and so is the uncertainty. Election administrators and prosecutors need to give voters straight answers and honest information immediately, and a Senate Select Committee hearing will give them that opportunity to set the record straight," concluded Senator Huffines.

GOVERNOR ABBOTT APPOINTS MEMBERS OF THE TEXNET ADVISORY COMMITTEE

Texas Governor Greg Abbott announced October 1st the appointment of eight members to the TexNet Technical Advisory Committee, serving terms at the pleasure of the governor. The TexNet Seismic Monitoring Program was created during the 84th Legislative Session as a program in the Bureau of Economic Geology (BEG) to help locate and determine the origins of earthquakes in Texas. In accordance with House Bill 2819, passed in the Texas Legislature in 2017 during the 85th Legislation Session, the Technical Advisory Committee provides guidance to the BEG regarding management of the TexNet program. The committee also offers insight to the research related to the TexNet program, and maintains some oversight of the program to assure that state funds are used properly. The appointees include Dan Hill, Chris Hillman, Dana Jurick, Hal Macartney, Kris Nygaard, Brian Stump, Robie Vaughn, and Aaron Valasco, with Robie Vaughn serving as the presiding officer. Scott Tinker, the state geologist with the BEG, is also serving as an ex-officio member of the committee.

The nine-member board is statutorily required to include a member from the Railroad Commission of Texas who specializes in seismology, geomechanical engineering, reservoir engineering, or another field as recommended by the executive director of the agency, and at least three representatives from the oil and gas industry, not including the agency representative. Most of the appointees to the Advisory Committee were previously serving in a similar capacity as members of the Technical Advisory Committee to the BEG before HB 2819 was passed, officially codifying the committee in statute. Aaron Velasco is replacing Craig Pearson as the state seismologist for the Railroad Commission.

SWIFT ADVISORY COMMITTEE TO MEET IN LATE OCTOBER

Members of the State Water Implementation Fund for Texas (SWIFT) Advisory Committee are scheduled to hold their next meeting October 30th in Austin. During the October meeting, the committee will review the overall operation, function, and structure of SWIFT, and provide guidance to the Texas Water Development Board (TWDB) on the state's administration of funding.

Meanwhile, the TWDB recently has collected public feedback on its Draft State Flood Assessment, a report detailing the history of flooding in Texas; the roles of local, state, and federal agencies relative to preparing for, mitigating, and recovering from floods; a summary of planning and infrastructure needs; and stakeholder input on how flood planning should proceed in the state. The information captured in the assessment will be used to determine the need for and benefits of statewide flood planning and financial investment. The report is expected to be completed by the TWDB by December 2018.

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TxDOT ANNOUNCES CRITICAL ROAD IMPROVEMENTS FOR US HIGHWAY 285 IN WEST TEXAS

Earlier this month, the Texas Department of Transportation (TxDOT) announced that the state is making critical improvements to U.S. Highway 285 and, as a result, will need to implement certain restrictions regarding wide loads using the roadway. Highway 285 runs through the heart of the Delaware Basin, stretching from the New Mexico state line down through Pecos and Fort Stockton before ending in Terrell County. TxDOT's restrictions will focus on four improvement projects occurring on the stretch from Pecos to New Mexico.

Under the new restrictions, TxDOT says it has designated a "travel window" for wide loads from 7:00-11:00 a.m. in order to accommodate traffic, as designated through their permitting process. Permittees may be allowed through a construction area during other times of the day if they have made specific and safe arrangements with the construction work zone manager at least 24 hours in advance. Work zone managers are under no obligation to allow wide load travel through their zone outside of the designated travel window, however. Other wide-load permit conditions include:



- Permittee must have front and rear escorts if required by law, and must have wide-load signs on the front and rear.
- Drivers must contact TxDOT's construction work zone manager prior to entering the work zone (all work zone manager contact information will be shown on the permit).
- Permittee must alert TxDOT's construction work zone manager if any traffic control devices are disturbed while moving through the construction work zone.

TCEQ OFFERS NEW ROUND OF GRANTS FOR OIL AND GAS EMISSION-REDUCING TECHNOLOGIES

The Texas Commission on Environmental Quality (TCEQ) is offering up to \$3.6 million under the New Technology Implementation Grant (NTIG) Program for projects that reduce air pollutants from facilities and other stationary sources in Texas. This includes projects that utilize new technologies lessening emissions from upstream and midstream oil and gas completions, production, gathering, storage, processing, and transmission activities.

Applications for the TCEQ grants will be accepted until December 14, 2018. For those interested in applying, the agency will hold an application workshop October 30th at TCEQ headquarters in Austin.

For additional information, please visit www.tceq.texas.gov/airquality/terp/ntig.html.

RANDALL COLLINS SELECTED AS CHIEF OPERATING OFFICER FOR TEXAS RAILROAD COMMISSION

The Texas Railroad Commission announced last month Randall Collins has been appointed chief operating officer of the state agency. In the role, Collins will oversee contract management, facilities and support services, hearings, human resources, and safety. Previously, Collins was director of the Railroad Commission's Hearings Division since June 2016. He joined the commission in 2012 as an administrative law judge, before which he served as an attorney in private practice.

In addition, the commission also recently named Leo Guerra as the new district director of the Corpus Christi division office. Guerra worked for six years in the Corpus Christi field office from August 2006 to December 2011. He later returned to work for the commission in September 2017 and has worked as an engineering specialist II. Prior to joining the commission, Guerra worked four years for Baker Hughes and Halliburton, and holds experience associated with plugging and cementing, downhole operations, downhole fishing and reservoir development.

U.S. HOUSE NATURAL RESOURCES COMMITTEE ADVANCES LEGISLATION TO AMEND ESA

At the end of September, members of the U.S. House Natural Resources Committee approved proposed legislation addressing issues with implementation of the Endangered Species Act (ESA). On September 27, the committee passed House Resolution 6355 that amends the ESA to define petition backlogs and provide for expedited means for discharging petitions during such a backlog. The legislation also would create a public database of listing petitions and supplement accompanying information.

In addition, lawmakers also recently voted to pass House Resolution 3608 modifying the ESA to require publication on the Internet of the best scientific and commercial data available used as a basis for decision to list a species as endangered or threatened. This bill also requires the U.S. Fish and Wildlife Service to report funds expended by the federal government in response to ESA litigation, full time employees tasked with ESA litigation, and attorneys' fees associated with ESA litigation and settlements.

"These bills honor our heritage, lighten regulatory burdens for communities, increase transparency, and strengthen relationships between states and the federal government. Ultimately, these bills aim to bolster our country's natural resources. I'd like to thank the Western Caucus and my colleagues for helping to move these bills forward," commented Congressman Rob Bishop (R-Utah), chairman of the committee.

BY OVERWHELMING VOTE, SENATE PASSES *AMERICA'S WATER INFRASTRUCTURE ACT*

The United States Congress this week passed substantial legislation providing for development of key water infrastructure across the nation. S. 3021, known as “*America’s Water Infrastructure Act of 2018*,” was approved by the U.S. Senate on Wednesday, October 10th with a vote of 99-1, sending the bill to the president’s desk for signature into law. The U.S. House of Representatives previously had passed the legislation by a voice vote last month.

The act enables the modernization of water infrastructure by authorizing federal funding for water projects. It also will increase water storage capabilities and supply for rural America, deepen important coastal and inland ports, allow for investment in the maintenance and construction of water and wastewater infrastructure and help address other challenges impacting U.S. communities. In addition, the bill creates a new framework to allow for more Army Corps projects to be budgeted with increased local stakeholder input and expanded transparency. Over 65 trade associations offered support for the legislation, including national energy, business and manufacturing groups.

“President Trump called on Congress to take action on the country’s water infrastructure and we have done that today,” said U.S. Senator John Barrasso (R-WY), chairman of the Senate Committee on Environment and Public Works (EPW). “*America’s Water Infrastructure Act* will cut Washington red tape, grow the nation’s economy, and help keep communities safe. It will create jobs, reduce the deficit, and give local stakeholders more control of projects.”

Senator Tom Carper (D-DE), ranking member of the EPW Committee, added, “This bipartisan infrastructure bill delivers for families in every state across our country, and I’m proud that it’s on its way to be signed into law. This legislation invests in the critical water infrastructure we don’t see every day, but that American families in every state rely on, such as drinking water systems, dams, reservoirs, levees, and ports. It supports and creates good-paying jobs here at home, incentivizes businesses to buy and use American products, and authorizes and expands programs for clean drinking water for the first time in more than two decades. And when it comes to local infrastructure projects, it ensures the voices of our country’s local governments are being heard by the federal government to ensure needs are being met and taxpayer dollars are being used efficiently. This is the first major infrastructure bill to clear this Congress, and it’s one that should be celebrated.”

For more background on this policy, visit: <https://www.epw.senate.gov/public/index.cfm/addressing-americas-infrastructure-needs>.

BRETT KAVANAUGH SWORN-IN AS NEW SUPREME COURT JUSTICE

On Saturday, October 6, the United States Senate confirmed Brett Kavanaugh as the 114th Supreme Court Justice by a vote of 50 to 48, with two Republican Senators voting “present” and one Democrat, Senator Joe Manchin of West Virginia, breaking party lines to vote favorably for the nomination. Lisa Murkowski of Alaska and Steve Daines of Montana were the two “present” votes. This is the smallest margin a Supreme Court Justice has received since Stanley Matthews in 1881, who was confirmed by a single vote.

This confirmation marks the second successful Supreme Court Justice confirmation during the Trump Administration, with the first being Justice Neal Gorsuch in April of 2017. Gorsuch succeeded Justice Antonin Scalia, who passed away in February 2016, while Kavanaugh replaces former Justice Anthony Kennedy who retired earlier this year. A few hours after the confirmation vote, Kavanaugh was sworn-in in the Supreme Court Chambers by Chief Justice John Roberts, Jr. and retired Justice Kennedy.



NEW SCIENCE ADVISORS APPOINTED TO EPA CLEAN AIR SCIENTIFIC ADVISORY COMMITTEE

On Thursday, October 11, Andrew Wheeler, acting administrator of the U.S. Environmental Protection Agency (EPA), announced the appointment of five new members to the agency’s Clean Air Scientific Advisory Committee (CASAC), which offers guidance on matters relating to the National Ambient Air Quality Standards (NAAQS). Members of the EPA’s CASAC include: Dr. Anthony (Tony) Cox, Cox Associates (Chair); Dr. James Boylan, Georgia Department of Natural Resources; Dr. Mark Frampton, University of Rochester Medical Center; Dr. Sabine Lange, Texas Commission on Environmental Quality (TCEQ); Dr. Timothy Lewis, U.S. Army Corps of Engineers; Dr. Corey Masuca, Jefferson County (AL) Department of Health; and Dr. Steven Packham, Utah Department of Environmental Quality. “These experts will provide critical scientific advice to EPA as it evaluates where to set national standards for key pollutants like ozone and particulate matter,” commented Acting Administrator Wheeler. “They are highly qualified and have a diverse set of backgrounds in fields like toxicology, engineering, medicine, ecology, and atmospheric science. These individuals, including five panelists who work in state, local, or federal environmental agencies, will work hard over the next two years to advise EPA in a manner consistent with the Clean Air Act (CAA) and the protection of public health.”

The seven-member panel, required under Section 109 of the CAA, has been tasked with leading the review of science for any necessary changes to the NAAQS for ozone or particulate matter. As outlined in the EPA’s “Back-to-Basics Process for Reviewing NAAQS” memorandum issued this past May, the agency is working to finalize changes to the policy by late 2020.

EPA HOLDS PUBLIC MEETING IN D.C. ON AGENCY'S OIL AND GAS WASTEWATER STUDY

The U.S. Environmental Protection Agency (EPA) hosted a public meeting Tuesday, October 9th in Washington D.C. on the agency's current study reviewing wastewater management activities by the oil and natural gas industry. The EPA is executing this study to address questions such as how existing federal approaches to produced water management under the Clean Water Act can interact more effectively with state and tribal regulations, requirements or policy needs, and whether potential federal regulations that may allow for broader discharge of treated produced water to surface waters are supported.

The agency already has engaged state regulators, industry representatives and other stakeholders to solicit feedback on issues explored by the study. This past summer, TIPRO hosted a meeting between EPA staff and our members in June as they began working on this study. Members were able to gain a little more insight into the reasoning behind the study and the direction EPA was potentially taking with their research, while providing critical insights into the unique nature of water regulation in Texas and surrounding states.

EPA says that it is working to prepare a white paper to inform next steps, and following completion of its analysis, the agency will use the information supplemented from its study to determine if future regulatory actions are appropriate to further address oil and gas extraction wastewater.

To view the EPA's presentation from its October 9th public meeting, visit: <https://bit.ly/2PuAMlv>. Additional information on this study by the EPA can be viewed at: <https://www.epa.gov/eg/study-oil-and-gas-extraction-wastewater-management>.

PRESIDENT TRUMP NOMINATES NEW FERC COMMISSIONER

In early October, President Donald Trump nominated Bernard L. McNamee to become the next member of the Federal Energy Regulatory Commission (FERC). McNamee would complete the remainder of the term held by Robert F. Powelson who stepped down from his seat with FERC in mid-August. Throughout his career, McNamee has held a number of distinguished legal and policy positions at the state and federal level, including currently serving as executive director of the Energy Department's Office of Policy. Formerly he served as deputy general counsel for energy policy at the Energy Department. McNamee also previously practiced energy law for almost nine years total as a partner and senior counsel with McGuireWoods LLP, in Richmond, Virginia. Earlier, he was a policy advisor on energy issues for a United States senator from Texas, worked at a free-market think tank on energy issues, served four attorneys general in two states (Virginia and Texas), and was a policy advisor to a Virginia governor.

If his nomination to FERC is confirmed by the U.S. Senate, McNamee's term would last through June 30, 2020.

U.S. ADVISOR SUGGESTS AMERICA'S GROWING ENERGY INDUSTRY IS BEST WAY TO CHALLENGE RUSSIA

During a television interview airing Monday, October 8, Larry Kudlow, chief economic advisor to President Donald Trump, signaled continued growth of America's energy sector could be the nation's best means to challenge Russia. "We are the dominant energy power. We will be producing 15 million barrels of oil per day in a couple years. We're passing [the] Saudis. We're passing Russia," Kudlow told Hill.TV's Ned Ryun. "We have so much natural gas coming out of the Permian Basin, they don't know what to do with it. They're flaring it 'cause they can't use it... So what does that mean? Means we have to have infrastructure for pipelines, east, west, west, east. Get this stuff to the northeast, get this stuff to Europe and challenge Russia's hegemony on natural gas and LNG [liquefied natural gas]," Kudlow proposed. "This is doable. We have to really focus on the energy sector. Most of this stuff can be done privately."

Earlier this year, a congressional committee released a report detailing Russia's extensive efforts attempting to disrupt with U.S. energy markets and spread propaganda via social media platforms to influence public opinion against energy development in America. "Russia benefits from stirring up controversy about U.S. energy production. U.S. energy exports to European countries are increasing, which means they will have less reason to rely upon Russia for their energy needs. This, in turn, will reduce Russia's influence on Europe to Russia's detriment and Europe's benefit. That's why Russian agents attempted to manipulate Americans' opinions about pipelines, fossil fuels, fracking and climate change," explained Congressman Lamar Smith, chairman of U.S. House Science, Space, and Technology Committee which authored the report published in March.

FEDERAL OFFICIALS ANNOUNCE NEW PIPELINE CYBERSECURITY INITIATIVE

Working to better secure critical energy infrastructure across the nation, on Tuesday, October 2, the Trump Administration announced the launch of a new Pipeline Cybersecurity Initiative that will bring together federal resources with the goal of protecting America's pipelines from an attack or disruption. "The Pipeline Cybersecurity Initiative will leverage the unique expertise of the Department of Energy (DOE), Department of Homeland Security (DHS), Transportation Security Administration (TSA), and other federal agencies to support efforts to address the threats to our nation's pipelines," said DOE Assistant Secretary for Cybersecurity, Energy Security, and Emergency Response (CESER) Karen S. Evans.

Christopher Krebs, under secretary of DHS' National Protection and Programs Directorate (NPPD), praised the new initiative as a "key milestone in the partnership between the federal government and the oil and natural gas industry," describing the effort as one which will join DHS's cybersecurity resources, DOE's energy sector expertise, TSA's assessments of pipeline security and insight provided from industry to get a broader understanding of the risks the oil and natural gas sector faces. "Collaborative efforts like this allow us to better understand the threat landscape and direct more targeted and prioritized risk management activities," Krebs observed.

U.S. ENERGY DEPT. OFFERS GRANTS TO IMPROVE CYBERSECURITY OF ENERGY INFRASTRUCTURE

In early October, the U.S. Department of Energy announced the award of \$28 million in grants to support the research, development, and demonstration (RD&D) of next-generation tools and technologies to improve the cybersecurity and resilience of the nation's critical energy infrastructure, including the electric grid as well as oil and natural gas infrastructure. Funding for 11 total projects will be provided from the department's Office of Cybersecurity, Energy Security, and Emergency Response's (CESER) Cybersecurity for Energy Delivery Systems (CEDSS) Division to establish research partnerships that will create and make available innovative technologies that prevent, detect, and mitigate cyber-attacks.

"Protecting the nation's energy delivery systems from cyber-threats is a top national priority," said U.S. Secretary of Energy Rick Perry. "These awards will spur the next level of innovation needed to advance cyber resilience, ensuring that the nation's critical energy infrastructure can withstand potential cyber-attacks while also still keeping the lights on."

According to the Energy Department, each awarded project will help to advance the strategy and goals articulated in the agency's "Multi-year Plan for Energy Sector Cybersecurity."

INTERIOR SECRETARY NAMES NEW CHAIR OF ROYALTY POLICY COMMITTEE

U.S. Secretary of the Interior Ryan Zinke has named Scott Angelle chairman of the department's Royalty Policy Committee (RPC), an advisory body that provides guidance to the secretary on policy improvements and gives counsel on the fair market value of, and the collection of revenues derived from, the development of energy and mineral resources on Federal and Indian lands. Angelle is the current director of the U.S. Bureau of Safety and Environmental Enforcement (BSEE) and previously served as an ex officio non-voting member of the RPC before being named chairman of the group. He replaces Vincent DeVito as head of the RPC, following DeVito's departure from the Interior Department earlier this Fall.

"Since its establishment last year, the RPC has made significant progress on their charge to determine the need for regulatory change and increasing domestic energy production and revenues, while reducing unnecessary burdens," said Angelle. "I look forward to continuing the great work we started."

Secretary Zinke also has reopened the nomination period to fill other vacancies on the RPC, including openings for mineral and/or energy stakeholders, state representatives, academic experts and members of Indian Tribes. The nomination period will be open through November 2, 2018. Nominations may be emailed to RPC@ios.doi.gov for consideration. Nominations should include a resume providing an adequate description of the nominee's qualifications, including information that would enable the department to make an informed decision regarding the candidate's qualifications satisfying the membership requirements of the committee. More information can be found at www.doi.gov/rpc.

IN PRIVATE DEAL, RUSSIA AND SAUDI ARABIA REPORTEDLY AGREE TO RAISE OIL OUTPUT

Although members of the Organization of the Petroleum Exporting Countries (OPEC) elected not to boost the group's oil production levels at the cartel's meeting last month in Algiers, reportedly oil giants Saudi Arabia and Russia have struck a private deal to raise their output and add more barrels of oil to the market. The move is expected to alleviate pressures from rising oil prices, which have been a source of frustration for President Trump who repeatedly has tried to pressure OPEC to do something about higher fuel prices before the U.S. holds elections in November. According to experts, the private agreement underscores how Russia and Saudi Arabia increasingly have decided on oil output policies bilaterally, without the backing of the collective OPEC membership.

PANAMA CANAL HITS NEW MILESTONE FOR LNG TRANSPORT

At the start of October, officials announced the successful transit of four liquefied natural gas (LNG) ships with beams up to 160 feet in a single day through the Panama Canal, setting a new record. On October 1, 2018, the Ribera del Duero Knutsen with a cargo capacity of 173,000 m3 and Maran Gas Pericles with cargo capacity of 174,000 m3 transited northbound, while Torben Spirit with a cargo capacity of 174,000 m3 and Oceanic Breeze with a cargo capacity of 155,300 m3 transited southbound, facilitating international trade of LNG between customers in South Korea, Japan, Chile and the U.S. Gulf Coast. "The transit of these four LNG ships in just one day demonstrates the Panama Canal's commitment to maximizing the efficiency, flexibility and reliability of its service to all customers," said Panama Canal Administrator Jorge L. Quijano.

AMID TAKE-AWAY TROUBLES IN THE PERMIAN, ONE NGL PIPELINE WILL BE CONVERTED TO CARRY CRUDE

High demand for transportation of crude oil pumped in the Permian has driven EPIC Midstream Holdings, LP (EPIC) to offer crude oil service on a portion of its Natural Gas Liquids (NGL) Pipeline currently under development. Construction of EPIC's NGL pipeline, which will run from Crane, Texas, to Corpus Christi, is expected to be completed in the third quarter of 2019. After the pipeline is ready, EPIC says that it will temporarily provide crude oil service on the pipeline while its Crude Oil Pipeline and EPIC NGL fractionator remains under construction. The company plans to later convert the EPIC NGL Pipeline back to NGL service upon completion of the EPIC Crude Oil Pipeline that is anticipated in January 2020.



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