



Texas Independent Producers and Royalty Owners Association

TEXAS SENATE, HOUSE ANNOUNCE COMMITTEES

The 86th legislative session is up and running, and leadership has wasted no time in announcing committee assignments in either chamber. On January 18th, Lt. Gov. Dan Patrick announced the Texas Senate committee assignments. Of the 16 committees, 14 are headed by Republicans. Democratic Senators John Whitmire and Eddie Lucio, Jr. will continue to chair the Criminal Justice Committee and the Intergovernmental Relations Committee, respectively, while new chairs include Senator Brandon Creighton, Senate Higher Education; Senator Bryan Hughes, Senate Administration, Senator Paul Bettencourt, Senate Property Tax Committee, Senator Bob Hall, Senate Agriculture and Senator Dawn Buckingham, Senate Nominations. Senator Lois Kolkhorst is now chair of Senate Health and Human Services. “These committee assignments reflect the proven leadership, commitment, solid work ethic and wide range of expertise of the thirty-one senators who have been elected by the people of Texas to represent them,” said Patrick in a statement.

In the Texas House, Speaker Dennis Bonnen announced their committee assignments on Wednesday. Most notably there will be new chairs for the House Committees on Energy Resources, Calendars, Ways & Means and State Affairs. State Representative Chris Paddie (R-Marshall) will now chair the House Energy Resources Committee, the Calendars Committee will be chaired by State Representative Four Price (R-Amarillo), State Representative Dustin Burrows (R-Lubbock) will take Bonnen’s former chair position on the Ways & Means Committee and State Representative Dade Phelan (R-Beaumont) will chair the State Affairs Committee. Other important chair assignments pertaining to oil and gas include:

- Appropriations: Rep. John Zerwas (R)
- Environmental Regulation: Rep. J. M. Lozano (R)
- Land and Resource Management: Rep. Tom Craddick (R)
- Natural Resources: Rep. Lyle Larson (R)

Bonnen tweeted the following after the announcement: “After thoughtful consideration, the following assignments have been made to reflect the seniority & personal preferences of Members & the diverse demographics of the Texas House”.

TIPRO HOSTS FRESHMEN LEGISLATOR RECEPTION, EDUCATIONAL BRIEFING AT CAPITOL

As the 86th Texas Legislative Session kicked off last week, TIPRO hosted several events aimed at reaching legislators and staffers in the Texas Capitol.

On the evening of January 16th, TIPRO honored freshmen legislators with a reception at Peche in Austin. The event was attended by approximately 15 legislators and staffers, as well as numerous TIPRO members. This unique experience allowed our members the chance to interact directly with lawmakers and welcome the newcomers as this session begins.

On January 17th, TIPRO held an oil and gas educational briefing for Texas legislative staff at the Capitol. Paul Parsons, Managing Director and founder of Energy Training Resources, presented to over 40 legislative staff members on the importance of oil and gas to the Texas economy, also giving a comprehensive overview of the science behind the industry. We want to thank Parsons, as well as our sponsors Anadarko, Hilcorp, ConocoPhillips, and the Texas Royalty Council for assisting us in our mission to educate legislators and ensure that they are informed about the industry as they go forth creating and instituting critical legislation.

TIPRO Calendar of Events

FEBRUARY 13, 2019
HOUSTON — IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (202) 857-4733.

FEBRUARY 13-15, 2019
HOUSTON — Annual
NAPE Summit,
George R. Brown
Convention Center.
For info, call: (817) 847-7700.

FEBRUARY 26-28, 2019
AUSTIN — TIPRO’S 73rd
Annual Convention,
Sheraton Austin Hotel
at the Capitol.
For info, call: (512) 477-4452.

MARCH 13, 2019
HOUSTON — IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (202) 857-4733.

PRESIDENT'S MESSAGE

Dear TIPRO Members,

Despite market volatility and additional challenges facing our industry, TIPRO has had an exceptional start to 2019 thanks to the high level of engagement and support from our members. Over the past several weeks, TIPRO has been very active holding targeted forums with legislators, their staff and industry executives to network, learn and engage in discussions regarding our industry and priorities. These included our recent welcome reception for new Texas legislators, TIPRO's oil and natural gas briefing at the state capitol, our monthly Leaders in Industry Luncheon and numerous legislator and policy committee meetings.



TIPRO's communication strategy is also focused on continuously highlighting the significant contributions of the Texas oil and natural gas industry, responding to anti-oil and natural gas sentiment with facts and data, and advancing our member priorities at all levels of government. This is illustrated in our various member publications, editorials and through nearly 100 media hits and related coverage over the past year. I encourage you to review our website for additional information.

Throughout the 86th Texas Legislative Session, TIPRO will track all developments on policy initiatives facing our industry, and will advocate on your behalf. We will ultimately monitor and lobby hundreds of bills that could negatively impact the Texas oil and natural gas industry. If you are familiar with what's occurring in other oil and natural producing states, you will understand how incredibly fortunate we are to live and work in Texas. This did not happen by accident and we must not take it granted. With your support, TIPRO will continue to diligently defend our industry and its unmatched benefits for many years to come.

We have frequently communicated about our priorities for 2019, including outlining several issues to focus on during the 86th Texas Legislative session. As always, I highly encourage you to participate in this process. It is incredibly valuable when elected officials can interface directly with our members to hear firsthand what drives you and keeps you up at night. A great opportunity to help with all these efforts is our upcoming Annual Convention - I encourage you each to reserve a room and make travel plans to join us in just under a month. You can find more information in this newsletter and on our website.

Sincerely,
Ed Longanecker

APACHE CORP. PRESENTS \$1 MILLION CHECK TO TEXAS PARKS & WILDLIFE FOUNDATION

Today in Austin, Apache CEO and President John Christmann fulfilled his companies pledge to match all donations dollar for dollar up to \$1 million in support of Balmorhea State Park. In August 2018 the Texas Parks and Wildlife Foundation and Apache announced the \$1 million challenge which brought on a flurry of donations from around the state. By mid January the challenge had been met with over \$1 million in donations raised. The joint effort provides over \$2 million as donations were made in response to the challenge last summer. Apache is the largest oil company in the area and made the pledge to support repairs to the Balmorhea State Park pool.

The popular and spring-fed West Texas swimming hole was closed in May 2018 after park staff performing an annual cleaning noticed damage to the concrete apron under the diving board. The concrete apron is used to stabilize the walls of the pool against erosion. In addition to the check for repairs in a ceremonial announcement Apache announced it is making a second \$1 million contribution to the Texas Parks and Wildlife Foundation to establish an endowment benefitting Balmorhea State Park.



"Balmorhea State Park is a real Texas treasure and an iconic asset for the community. We're grateful for the work of both Texas Parks and Wildlife Foundation and Texas Parks and Wildlife Department and were moved by the outpouring of support from the broader community and our many partners who joined us in this effort," said Christmann. "In addition to our \$1 million match to help repair the pool, the establishment of a long-term endowment through an additional \$1 million contribution will supplement the park's existing budget and incrementally fund improvements over time to help ensure the pool and the park can be enjoyed for generations to come."

PERMIAN OIL LINE REMAINS ON SCHEDULE

Over the past decade, Texas has attracted some of the biggest players in the oil and gas industry. Producing 3.8 million barrels per day, the Permian Basin is one of the richest plays and the outlook only gets better. Companies like ExxonMobil, Chevron and BP have all staked their claim in the West Texas oil fields. They join others industry leaders like Concho Resources, Occidental Petroleum and Diamondback Energy in driving production growth. With this projected growth additional pipeline capacity is critical in moving product from the basin to the coast.

EPIC Crude Pipeline LP faced regulatory delays from the U.S. Federal Energy Regulatory Commission (FERC), which had deferred action on their petition to set initial tariff rates. The company confirmed on January 14th that they are still on schedule to begin interim service in the third quarter of 2019, with permanent service at the start of 2020, according to a statement released on their website.

The pipeline would transport up to 900,000 barrels per day (bpd), stretching from the Orla, Texas to the Port of Corpus Christi. According to the U.S. Energy Department, the Permian Basin produces approximately 3.8 million bpd of the overall U.S. production of 11.7 million bpd. There is a huge need for moving crude from the Permian Basin and not enough pipelines to get the job done.

TEXAS LNG

On Jan. 18th, Federal Energy Regulatory Commission (FERC) Deputy Secretary Nathaniel Davis granted Save RGV From LNG, an environmentalist group interested in blocking Texas LNG's proposed liquefied natural gas project at the Port of Brownsville, a motion to intervene. This means that the group will be able to challenge FERC orders and request rehearings. Davis said that the organization has "environmental, aesthetic, and economic interests that will be directly affected by the project," in his statement.

According to the Texas LNG website, the Brownsville location "is ideally placed to export gas from the US gas grid, which includes a number of large producing areas such as the Eagle Ford fields of Southwest Texas and others – thereby potentially reducing a portion of currently flared gas and providing valuable jobs and revenues for the Texas Rio Grande valley region."

UT SYSTEM ENDOWMENT SKYROCKETS

The University of Texas endowment has surpassed Yale's endowment of \$29.4 billion, hitting a high of \$31 billion. This makes the UT System endowment the second largest in the nation, following Harvard. This increase in wealth is thanks, in part, to the oil-bearing shale on university land. Advances in horizontal drilling have helped to make this possible. Of course, Texas A&M has also benefited from West Texas oil lands, and saw its endowment raise 17% this year. This is just another example of the importance of the oil and gas industry to the future of Texas.

BLOCK ON SEISMIC TESTING

On Jan. 18th, Judge Richard Gergel of the District Court for South Carolina issued an order blocking the Trump administration from issuing permits to conduct seismic testing for offshore oil and natural gas drilling until the government shutdown ends. This decision comes in the midst of pushback from environmentalists on the administration's decision last November to allow testing for offshore oil and natural gas under the Atlantic Ocean. Once the shutdown comes to an end, we may see drilling in the Atlantic for the first time since the 1980s.

EIA OUTPUT PREDICTIONS 2019

The U.S. Energy Information Administration's (EIA) latest short-term energy outlook predicts US crude oil production will average 12.1 million barrels per day (MMbpd) in 2019 and 12.9 MMbpd by 2020, with much of this growth attributable to production in the Permian Basin. This is up from 2018, which saw 10.9 MMbpd. As production approaches that 12 MMbpd mark, there may be some fluctuations in oil prices. Prices fell on Thursday, January 17. West Texas Intermediate was down 24 cents per barrel, while Brent crude oil was down 14 cents per barrel. Even as OPEC cuts production, some analysts fear the US surge in production may outpace demand. There is also some concern over the unstable trade relationship between the US and China, though the situation may be coming to a resolution. Sources told Reuters that a shipment of US crude oil left Texas for China last month for the first time since November.

In a report released by the EIA on Tuesday, the organization predicted that the Permian Basin will see a rise in output of 23,000 bpd next month. That would put output at a record 3.85 MMbpd for February. They also predict a rise in output for the Eagle Ford region.

TEXAS UNEMPLOYMENT RATE HITS RECORD LOW

The Texas unemployment rate, at just 3.7%, is at the lowest in recorded history. In addition to this, the Texas Workforce Commission reported 29 consecutive months of employment growth in December of 2018. This news indicates a prosperous year ahead for the state. Oil and gas has a profound impact on the overall Texas economy, and with OPEC nations cutting down on production, the outlook is good. The Permian Basin continues to boom, providing support Texas at particularly important time as this legislative session aspires to increase public school funding and reform property taxes, both costly endeavors.

EMINENT DOMAIN, ROAD FUNDING TOPICS TO WATCH

Just as in 2017, Eminent domain is expected to be one of the major issues addressed this legislative session. State Senator Lois Kolkhorst (R-Brenham) and State Representative DeWayne Burns (R-Cleburne) filed legislation last session that proposed developers provide more specific pipeline plans and would have implemented new regulations on landowner payments. While this legislation did not pass last session, both legislators filed renewed versions of those bills on Wednesday, January 23, 2019; House Bill 991 by Burns and Senate Bill 421 by Kolkhorst. The Railroad Commission of Texas has held firm to its current eminent domain regulations for common carrier pipelines, which strikes a fair balance between the increasing importance of expanding infrastructure to support the state's oil and gas industry and private property rights.



Road funding is another policy area of critical importance to the oil and gas industry. State Representative James White filed House Bill 42 in November, a bill "relating to allocating a portion of oil and gas production tax revenue to the counties from which the oil and gas originated and to the use of that revenue." This bill is the continuance of similar legislation filed by White in the 85th session. TIPRO has also been working diligently with Representative White and our members to identify other workable solutions to our infrastructure needs, including supporting a one-time appropriation of funds to address critical road funding for county and state highways in energy producing areas. TIPRO remains committed to monitoring and engaging on legislation affecting eminent domain, road funding, and numerous other policy initiatives affecting the oil & gas industry as the 86th session continues to progress.

2019 Proposed Revisions - TIPRO Bylaws:

The Board Structure Task Force recommendations were approved by the board and are presented to the membership for vote.

Article V, Section 4: Class C Directors:

Proposed Change: Change the total number of Class C Directors from three to four.

Updated Wording:

The Chairman shall have the right to appoint up to four (4) Class C Directors, who, subject to confirmation by a majority of the board of Directors, shall serve for the term of the Chairman who appointed them to the Board of Directors. If nominated by one or more successor chairmen and confirmed by the Board, Class C Directors may serve additional terms without limit.

Article V, Section 5: Class D Directors:

Proposed Change:

Limit Class D Directors to the five(5(most recently serving past Presidents/Chairmen (excluding Immediate Past Chairman)
Change term of service to a maximum of 5 consecutive year terms.

Updated Wording:

The Class D Directors shall be up to five (5) most recently serving past Presidents (other than the Immediate Past President of TIPRO prior to 12/31/09 and past chairmen of TIPRO (Other than the Immediate Past Chairman) who notify the Chairman in writing that they desire to serve as a Class D Director, represent that they will actively participate in the meetings of the Board of Directors, who are confirmed by the Board, and elected by the Membership at the Annual Meeting for a two year term. Class D Directors may serve a maximum of five consecutive terms.

Article V, Section 6: Emeritus Status Directors:

Create advisory, non voting Class E Directors
Past Presdients/Chairmen (other than Class D Directors)

New Wording:

Section 6: At the discretion of the Chairman, Class E Directors, "Emeritus Status", shall be past Presidents of TIPRO prior to 12/31/09 and past Chairman of TIPRO (other than Class D Directors) who notify the Chairman in writing their desire to serve the Board of Directors in an advisory, non- voting capacity.

This new Proposed Class of Directors to be inserted as Article V, Section 6 - all other sections would be modified accordingly.

73rd Annual Convention

TEXAS INDEPENDENT PRODUCERS & ROYALTY OWNERS ASSOCIATION

AUSTIN - TX FEBRUARY 26 - 28, 2019

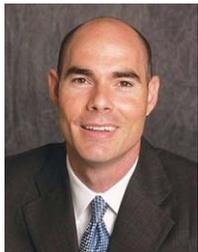
TIPRO will host its 73rd Annual Convention as state lawmakers convene in Austin for the 86th Legislative Session. Governor Abbot will join a strong lineup of speakers, including newly elected Texas House Speaker Dennis Bonnen and Comptroller Glenn Hegar. Register today for this high profile event with exceptional content, speakers and many unique opportunities to interface with key elected officials and industry colleagues.



Texas Governor
Greg Abbott



Steve Moore
Economist



Texas House Speaker
Dennis Bonnen



Comptroller
Glenn Hegar



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Registration forms must be accompanied by payment.

REGISTER ONLINE AT WWW.TIPRO.ORG

REGISTRATION

	ATTENDEE	SPOUSE	WEDNESDAY ONLY
MEMBERS	<input type="checkbox"/> \$495	<input type="checkbox"/> \$375	<input type="checkbox"/> \$395
INCLUDES ALL AGENDA EVENTS & MEALS			
NON-MEMBERS	<input type="checkbox"/> \$695	<input type="checkbox"/> \$475	<input type="checkbox"/> \$595
INCLUDES ALL AGENDA EVENTS & MEALS & 1 YEAR MEMBERSHIP			

MARK IF ATTENDING	ATTENDEE	SPOUSE
WELCOME RECEPTION	<input type="checkbox"/>	<input type="checkbox"/>
BREAKFAST	<input type="checkbox"/>	<input type="checkbox"/>
LUNCH	<input type="checkbox"/>	<input type="checkbox"/>
DINNER	<input type="checkbox"/>	<input type="checkbox"/>
LEGISLATIVE CALL UP	<input type="checkbox"/>	<input type="checkbox"/>

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CANCELLATION POLICY

In order to receive a refund, TIPRO must be notified of your cancellation no later than **Friday, February 15, 2019.**

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





73rd Annual Convention AGENDA

Tuesday, February 26th

- 1:00 PM** Registration Opens
- 1:30 PM** Audit Committee Meeting
- 3:00 PM** TIPRO Board Meeting
- 5:30 PM** TIPRO Welcome Recep

Thursday, February 28th

- 8:00 AM** Breakfast & Call Up Briefing
- 8:40 AM** Buses to Texas Capital
- 9:00 AM** Texas Legislator Meetings
- 12:00 PM** Boxed Lunch & Departures

Wednesday, February 27th

- 9:00 AM** General Session Welcome & Opening Remarks
- 9:15 AM** Dennis Bonnen, Speaker of the Texas House
- 9:45 AM** Greg Leveille, Chief Technology Officer, ConocoPhillips
- 10:30 AM** Timm Schneider, Citi Research
- 11:15 AM** Lees Rodionov, Schlumberger
- 12:00 PM** Networking Lunch
- 2:00 PM** Texas Governor Greg Abbott
- 2:15 PM** Texas Comptroller Glenn Hegar
- 2:45 PM** Stephen Moore, Economist, Political Commentator
- 3:30 PM** Texas Legislative Panel
- 6:00 PM** Reception & Chairman's Dinner & 2019 Hat's Off Award

**Hotel Deadline
January 30th**

TIPRO Members Annual Meeting Notice

In accordance with Article IV Section 1 of the TIPRO bylaws, Chairman Eugene Garcia hereby calls a Membership Meeting for all TIPRO members in conjunction with the 73rd Annual Convention. The 2019 Annual Membership meeting will be held on February 27th at 8 am in the Ballroom of the Sheraton Austin Hotel in Austin, Texas.

At the TIPRO Board Meeting, held January 22, members of the TIPRO Nominations Committee presented their recommendations for nominees of TIPRO Officers and Directors, beginning terms on July 1, 2019. The Board unanimously approved the following candidates and hereby present the slate of recommended candidates for TIPRO to vote on during its Annual Meeting.

In accordance with Article V Sections 2 of the TIPRO Bylaws, the following candidates are presented for consideration by the membership:

- Mr. Matthew V. Hairford, Matador Resources - Region 3 (Class A Director) First Term
- Mr. Dennis Hendrix, Great Western Drilling Co – Region 5 (Class A Director) Second Term
- Mr. William Wallace, Wallace Petroleum At Large Representative (Class A Director) Second Term
- Mr. Eric Dille, EOG Resources At Large Representative (Class A Director) Second Term

Article V, Section 5 – the following candidates terms have been updated under the new structure of Class D Directors:

- Scott Anderson, Anderson Oil, fifth & Final Term expires 2020
- Walter “Tad” Mayfield, Goldston Oil, fourth term expires 2020
- Stephen Castle, Cowboys Resources, third term expires 2020
- David Martineau, Martineau Petroleum, second term expires 2020
- Raymond Welder, Welder Exploration, 1st term expires 2020

TIPRO thanks all the candidates for graciously accepting their nominations and agreeing to serve on the Board.

73RD ANNUAL CONVENTION SPONSORSHIP OPPORTUNITIES

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or contact Joanne McCord Reynolds at joanne@tipro.org

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Association**

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

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